



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: September 14, 2006 REPORT NO: 06-124 Rev.

ATTENTION: Council President and City Council
Docket of September 18, 2006

SUBJECT: In the Matter of Regulating Large Retail Development

REFERENCE: Manager's Report 05-136 (with 12 Attachments)
Planning Commission Memorandum, dated December 9, 2004;
Planning Commission Report PC-04-138;
Planning Commission Memorandum, dated May 7, 2004;
Planning Commission Report PC-04-014;
Manager's Report 03-151; Manager's Report 01-126;
Manager's Report 00-205; Planning Commission Report P-96-180;
Planning Commission Report P-96-080

REQUESTED ACTION: Direct the City Attorney to prepare an ordinance consistent with the Mayor's Recommendation

MAYOR'S RECOMMENDATION: Adopt items 3, 4, and 6 of the former City Manager's recommendations which are included in the former City Manager's proposed strikeout ordinance relating to the review and approval of "*Large retail establishments*" previously defined as retail stores equal to, or larger than, "50,000 square feet of gross floor area." These items include new and additional design and landscape guidelines, as well as approval processes which would permit greater public involvement. Accept the Planning Commission's recommendation of no size limitation. Do not approve a Stock Keeping Unit ("SKU") ordinance.

SUMMARY:

On July 23, 2003 the City Council's Land Use and Housing Committee (LU&H) directed the Planning Department to develop an ordinance that would regulate all large retail development ("Large Retail Ordinance" or "Big Box Ordinance"). LU&H also directed staff to analyze an additional ordinance proposal distributed at that committee meeting by the Joint Labor Management Committee, referred to as the "SKU Ordinance." The SKU Ordinance would prohibit the establishment or enlargement of large retail stores if the following three criteria are met: (1) the facility is larger than 90,000 square feet; (2) contains more than 30,000 SKU's

(Stock Keeping Units); and (3) more than 10% of its revenue comes from non-taxable (e.g., grocery) items ("Superstores" or "Supercenters."¹) To date, staff has not been directed to prepare a SKU Ordinance on behalf of the City. At the June, 22, 2005, LU&H meeting, the City Attorney's office was directed to assess the legality of the SKU Ordinance proposal, which was thereafter addressed in Closed Session. It remains up to City Council to find whether a SKU Ordinance (or any variable thereof) is proper for the City as a matter of policy and should direct City staff accordingly.

FISCAL CONSIDERATIONS:

The Planning Commission directed City staff to prepare a comprehensive fiscal and economic impact analysis of the largest retail establishments, including the so-called "Supercenters." That analysis was completed in August of 2004 (see Attachment 4 to Manager's Report 05-136) and circulated for public review immediately thereafter.

The Planning Department developed a proposed strikeout ordinance ("Large Retail Ordinance") which would:

- (1) allow any sized store (regardless of merchandise content) in the Commercial Regional (CR) zones;
- (2) restrict overall size to 150,000 in the remaining commercial zones and industrial zones (regardless of merchandise content);
- (3) require a Process 2 Neighborhood Development Permit (NDP) for all stores exceeding 50,000 square feet in the Community Commercial (CC) zones, Commercial Regional (CR) zones, Light Industrial (IL) zones and planned districts excluding Centre City;
- (4) require a Process 4 Site Development Permit (SDP) for all stores exceeding 100,000 square feet in CC zones and planned districts;
- (5) allow 10,000 – 20,000 square feet of additional gross floor area, (above the 150,000 square foot limit) for stores which meet certain design guidelines such as using two stories and structured parking (aka "design incentives"), and
- (6) establish additional design and landscape regulations for all stores over 50,000 square feet.

The City's Economic Development Division (Economic Development) evaluated the possible economic impacts of Supercenters being introduced to San Diego in their August 2004 report entitled "Fiscal and Economic Impacts of Large Retail Establishments" (see Attachment 4). Among their findings, Economic Development found that local consumer savings would likely be completely offset by reduced payroll expenditures, resulting in, at best, no positive economic benefits to the City or region as a whole. The impact to small retailers is more difficult to

¹ See Attachment 5 in Manager's Report 05-136.

quantify, but certainly any shifts in merchandise sales away from small retailers towards large retail including Supercenter operators is likely to be somewhat negative due to the fact that all large retail or Supercenters are operated by giant corporate entities which distribute profits to shareholders 99% of whom live outside San Diego. Small retailers by contrast, are more likely to be locally-owned “mom and pop” stores whose owners will spend at least a portion of their profits at other local stores and service providers. The draft economic Prosperity Element includes a provision requiring that applications for discretionary land use approvals to construct retail stores of 120,000 square feet or more include a fiscal and economic impact analysis.

The CPC and Planning Commission rejected any size and content restrictions on large retail establishments but generally recommended in favor of lowering thresholds for discretionary review and increasing design standards such as requiring enhanced building design features and increased landscaping.

Community Planners Committee Recommendations (9/28/2004):

(1) Process 2 review for structures exceeding 50,000 square feet; (2) Process 4 review for structures exceeding 75,000 square feet in Community Commercial (CC) Zones and Planned Districts;

Planning Commission Recommendations (12/16/2004):

(1) Process 2 review for structures exceeding 50,000 square feet (1) no size limitation; (2) Process 2 review plus additional design requirements for structures exceeding 50,000 square feet; (3) Process 4 review including an economic impact analysis for structures exceeding 100,000 square feet; and (4) structured parking, eating areas and green building requirements for structures over 150,000 square feet.

Land Use & Housing (LU&H) Committee Recommendations (6/29/2005):

The LU&H Committee voted to recommend approval of Nos. 3, 4, and 6 of the City Manager’s recommendations (relating to required approval processes and design/landscape standards for stores of 50,000 square feet and larger – see CMR 05-136) and to refer the remaining elements of the City Manager’s Recommendation (Nos. 1, 2, and 5 relating to size limitations) and the Stock Keeping Unit (“SKU”) Ordinance to the Council without recommendation. Additionally the Committee referred the SKU Ordinance to the City Attorney and asked for a legal review of that proposed Ordinance to be prepared prior to City Council consideration of this issue.

FISCAL CONSIDERATIONS:

The fiscal impact of large retail establishments including Supercenters is almost entirely dependent on the location (or proposed location) of these stores. As explained in Attachment 4, the fiscal impact of one or more Supercenters coming into San Diego are uncertain, but weighted towards the negative. Positive fiscal impacts (net new revenues) will only be realized if the proposed Supercenter were to be located close to City limits and away from small locally-owned retailers which are predominantly congregated in the central part of the City, especially in adopted Redevelopment Areas, Enterprise Zones, and Business Improvement Districts (BID’s). The recommended imposition of additional review and approval processes and design standards would not likely have any fiscal impact (positive or negative) on the City.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

During the last ten years there has been considerable public discussion and debate in San Diego regarding both large retail establishments and more recently Supercenters. During the two-year period from 2003-2005 alone, these issues elicited public testimony from a wide range of interest groups and individuals at three Planning Commission workshops, two Planning Commission meetings, two LU&H public hearings and one CPC meeting.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The business community itself is divided on this issue. Small businesses, chain grocery stores, and their trade organizations are in favor of placing restrictions on large retail establishments including Supercenters. This part of the business community has been represented by the Business Improvement District (BID) Council, the Small Business Advisory Board (SBAB), and the Joint Labor Management Committee (JLMC). Small businesses in particular, have emphasized that many public investments and policies have favored large retailers, while making matters more difficult for small retailers. As one example, small businesses are frequently subjected to metered parking which discourages customers.

Not surprisingly, Wal-Mart Stores, Inc., is virulently opposed to any size or content restrictions. Wal-Mart is joined by the San Diego Regional Chamber of Commerce which generally opposes any restrictions on businesses, and development organizations including the San Diego County Building Industry Association (BIA), and the National Association of Industrial and Office Properties (NAIOP) which similarly see no need for new restrictions on development.

At least some part of organized labor is in favor of imposing size and content restrictions on large retail establishments including Supercenters. In fact, much of the impetus for the SKU Ordinance proposal comes from the JLMC, which, in addition to the chain grocery stores, also represents the interests of grocery store employees who are organized into the United Food & Commercial Workers Union (UFCW). The Center for Policy Initiatives (CPI), a non-profit public interest research organization which is loosely affiliated with local labor organizations including the UFCW, also expressed support for restrictions on Supercenters.

William Anderson
Director, Deputy Chief Operating Officer,
City Planning & Community Investment

Jim Waring
Deputy Chief Operating Officer,
Land Use & Economic Development

WARING/RG

Attachments: 1. Actions for LU&H Meeting on June 29, 2005.
2. Final Large Retail Strikeout Ordinance prepared by the Planning Department under further legal review by the Office of the City Attorney.
3. Manager's Report 05-136 (with 12 Attachments)

**THE COMMITTEE ON LAND USE AND HOUSING
OF THE CITY COUNCIL OF THE CITY OF SAN DIEGO**

**ACTIONS FOR
WEDNESDAY, JUNE 29, 2005, AT 2:00 P.M.**

**COUNCIL COMMITTEE ROOM (12TH FLOOR), CITY ADMINISTRATION
BUILDING
202 C STREET, SAN DIEGO, CALIFORNIA**

For information, contact Chris Cameron, Council Committee Consultant
202 C Street, 3rd Floor, San Diego, CA 92101
Email: cmcameron@sandiego.gov
619-533-3920

COUNCIL COMMENT:

ACTION: None received.

NON-AGENDA PUBLIC COMMENT:

ACTION: None received.

ADOPTION AGENDA

Approval of the Record of Action Items for June 15, 2005.

ACTION: Approved by common consent.

ITEM-1: Report from the City Manager regarding A DRAFT ORDINANCE
REGULATING LARGE RETAIL DEVELOPMENT.

(See CMR 05-136; Louis Wolfsheimer's June 27, 2005, letter; George T. Ray's
June 27, 2005, letter; Matthew A. Peterson's June 29, 2005, fax; Matrix
comparison of all recommendations against Manager's recommendations)

ACTION: Motion by Councilmember Atkins, second by Councilmember
Young to recommend approval of Nos.3, 4, and 6 of the City Manager's
recommendations (CMR 05-136) and refer the remaining elements of the City
Manager's recommendation as well as the Stock keeping Unit ("SKU") Ordinance
to the City Council without recommendation. Additionally, the Committee

ACTIONS
Committee on Land Use & Housing
June 29, 2005
- 2 -

referred the SKU Ordinance to the City Attorney and asked for a legal review of the proposed Ordinance to be prepared prior to City Council consideration of this issue.

VOTE: 4-0; Peters-yea, Atkins-yea, Young-yea, Frye-yea, Inzunza-not
present

Scott Peters
Chair

STRIKEOUT ORDINANCE

OLD LANGUAGE: ~~STRIKEOUT~~

NEW LANGUAGE: UNDERLINE

(O-2007-29)

ORDINANCE NUMBER O-_____ (NEW SERIES)

ADOPTED ON _____

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SAN DIEGO AMENDING CHAPTER 11, ARTICLE 3, DIVISION 1, BY AMENDING SECTION 113.0103; AMENDING CHAPTER 12, ARTICLE 6, DIVISION 4 BY ADDING SECTION 126.0402(j); AMENDING CHAPTER 12, ARTICLE 6, DIVISION 5 BY ADDING SECTION 126.0502(d)(6); AMENDING CHAPTER 12, ARTICLE 7, DIVISION 1 BY AMENDING SECTION 127.0103(a), TABLE 127-01A; AMENDING CHAPTER 12, ARTICLE 7, DIVISION 1 BY ADDING SECTION 127.0106(e); AMENDING CHAPTER 13, ARTICLE 1, DIVISION 5, BY AMENDING SECTION 131.0522, TABLE 131-05B; AMENDING CHAPTER 13, ARTICLE 1, DIVISION 6, BY AMENDING SECTION 131.0622, TABLE 131-06B; AMENDING CHAPTER 14, ARTICLE 2, DIVISION 4, BY AMENDING SECTION 142.0404; AMENDING CHAPTER 14, ARTICLE 2, DIVISION 4, BY ADDING SECTION 142.0405(c)(4); AMENDING CHAPTER 14, ARTICLE 2, DIVISION 4, BY AMENDING SECTION 142.0405(d); AMENDING CHAPTER 14, ARTICLE 2, DIVISION 4, BY AMENDING SECTION 142.0406(c)(3); AMENDING CHAPTER 14, ARTICLE 2, DIVISION 4, BY AMENDING SECTION 142.0412; AMENDING CHAPTER 14, ARTICLE 3, DIVISION 3, BY AMENDING SECTION 143.0302, TABLE 143-03A; AMENDING CHAPTER 14, ARTICLE 3, DIVISION 3, BY ADDING SECTION 143.0355; AMENDING CHAPTER 14, ARTICLE 3, DIVISION 4 BY ADDING SECTION 143.0410(a)(3)(H); AND AMENDING CHAPTER 15, ARTICLE 1, DIVISION 2, BY AMENDING SECTION 151.0253, TABLE 151-02F, ALL PERTAINING TO LARGE RETAIL ESTABLISHMENTS.

WHEREAS, on July 23, 2003, the Land Use and Housing Committee of the City Council directed the Planning Department staff to develop an ordinance regulating large retail establishments; and

WHEREAS, the purpose of these regulations is to provide standards for evaluation of large retail establishments relating to design, bulk, and scale; and

WHEREAS, the intent of these regulations is to preserve community character, protect neighborhood aesthetics, create a more pedestrian scale environment, promote walkable

communities, transit-oriented developments and diversity of uses per the adopted General Plan Strategic Framework Element and City of Villages strategy; and

WHEREAS, the preparation of the proposed ordinance was as open to comprehensive public participation as possible; and

WHEREAS, the proposed ordinance has been reviewed and recommendations have been made by various interest groups and organizations as well as by the Planning Commission and the Land Use and Housing Committee of the City Council; NOW, THEREFORE,

BE IT ORDAINED, by the Council of the City of San Diego, as follows:

Section 1. That Chapter 11, Article 3, Division 1 of the San Diego Municipal Code is amended by amending section 113.0103 to read as follows:

§113.0103 Definitions

Abutting property through Land use plans [No change.]

Large retail establishment means a retail establishment comprising of 50,000 or more square feet of gross floor area. This definition does not include a shopping mall, but does include any free standing retail business located on the premises of a shopping mall if it meets the definition set forth above.

Lateral access through Yard [No change.]

Section 2. That Chapter 12, Article 6, Division 4 of the San Diego Municipal Code is amended by adding section 126.0402(j), to read as follows:

§126.0402 When a Neighborhood Development Permit Is Required

(a) through (i) [No change.]

(j) A Neighborhood Development Permit is required for the development and new construction of a large retail establishment of 50,000 or more square feet in the CC (Commercial--Community) zones, CR (Commercial--Regional) zones, IL-2-1 (Industrial--Light), IL-3-1 (Industrial--Light) and

all planned districts, except in the Centre City Planned District, as described in section 143.0302.

Section 3. That Chapter 12, Article 6, Division 5 of the San Diego Municipal Code is amended by adding section 126.0502(d)(6), to read as follows:

§126.0502 When a Site Development Permit Is Required

(a) through (c) [No change.]

(d) A Site Development Permit decided in accordance with Process Four is required for the following types of development.

(1) through (5) [No change.]

(6) Development and new construction of a large retail establishment of 100,000 or more square feet in the CC (Commercial--Community) zones and planned districts as described in section 143.0302.

(e) [No change.]

Section 4. That Chapter 12, Article 7, Division 1 of the San Diego Municipal Code is amended by amending section 127.0103(a), Table 127-01A; and by adding section 127.0106(e) to read as follows:

§127.0103 Review Process for Previously Conforming Premises and Uses

[No change in first paragraph.]

(a) *Previously Conforming Structural Envelope*

**Table 127-01A
Review Process for Previously Conforming Structural Envelope**

Type of <i>Development</i> Proposal	Applicable Sections	Required Development Permit/Decision Process
Maintenance, repair or alteration (less than or equal to 50% of <i>market value</i> of entire <i>structure</i> or improvement)	[No change.]	[No change.]

through Reconstruction (following fire, natural disaster, act of the public enemy) for nonresidential <i>structures</i> .		
Expansion/enlargement, where new construction conforms with all current development regulations.	127.0106(a), (b) and (e)	CP/Process 1
Expansion/enlargement where new construction requests a reduction of up to 20% from required <i>setbacks</i> .	[No change.]	[No change.]

(b) [No change.]

(c) [No change.]

§127.0106 Expansion or Enlargement of Previously Conforming Structures

(a) through (d) [No change.]

(e) Except in the CR zones and Centre City Planned District, proposed expansion or enlargement of a *previously conforming large retail establishment* shall not result in a structure that is greater than 150,000 square feet of *gross floor area* (excluding a contiguous unenclosed area such as a garden center). See section 143.0355(f) for supplemental regulations for expansion or enlargement of *previously conforming large retail establishment* structures.

Section 5. That Chapter 13, Article 1, Division 5 of the San Diego Municipal Code is amended by amending section 131.0522, Table 131-05B to read as follows:

§131.0522 Use Regulations Table of Commercial Zones

**Table 131-05B
Use Regulations Table for Commercial Zones**

Use Categories/Subcategories [See section 131.0112 for an explanation and descriptions of the Use Categories, Subcategories, and Separately Regulated Uses]	Zone Designator	Zones									
	1st & 2nd >>	CN ^{(1,11)-}			CR-		CO ⁽¹¹⁾⁻		CV ⁽¹¹⁾⁻		CP-
		1-			1-	2-	1-		1-		1-
		1	2	3	1	1	1	2	1	2	1
Open Space through Institutional	[No change.]										
Retail Sales											

Use Categories/Subcategories [See section 131.0112 for an explanation and descriptions of the Use Categories, Subcategories, and Separately Regulated Uses]	Zone Designator			Zones									
	1st & 2nd >>			CN ^{(1,11)-}			CR-		CO ⁽¹¹⁾⁻		CV ⁽¹¹⁾⁻		CP-
	3rd >>			1-			1-	2-	1-		1-		1-
	4th >>			1	2	3	1	1	1	2	1	2	1
Building Supplies & Equipment				P			P ⁽¹²⁾	P ⁽¹²⁾	-		-		-
Food, Beverages and Groceries				P			P ⁽¹²⁾	P ⁽¹²⁾	P		P		-
Consumer Goods, Furniture, Appliances, Equipment				P			P ⁽¹²⁾	P ⁽¹²⁾	P ⁽³⁾		-		-
Pets & Pet Supplies				P			P ⁽¹²⁾	P ⁽¹²⁾	-		-		-
Sundries, Pharmaceutical, & Convenience Sales				P			P ⁽¹²⁾	P ⁽¹²⁾	P		P		-
Wearing Apparel & Accessories				P			P ⁽¹²⁾	P ⁽¹²⁾	-		P		-
Separately Regulated Retail Sales Uses				-									
Agriculture Related Supplies & Equipment				-			P	P	-		-		-
Alcoholic Beverage Outlets				L			L	L	L		L		-
Plant Nurseries				P			P	P	-		-		-
Swap Meets & Other Large Outdoor Retail Facilities				-			C	C	-		C ⁽¹⁰⁾		-
Commercial Services through Signs	[No change.]												

Use Categories/Subcategories [See section 131.0112 for an explanation and descriptions of the Use Categories, Subcategories, and Separately Regulated Uses]	Zone Designator		Zones																			
	1st & 2nd >>		CC-																			
	3rd >>		1-		2-		3-		4-					5-								
	4th >>		1	2	3	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5		
Open Space through Institutional [No change.]																						
Retail Sales																						
Building Supplies & Equipment			P ⁽¹²⁾		P ⁽¹²⁾		-		P ⁽¹²⁾					P ⁽¹²⁾								
Food, Beverages and Groceries			P ⁽¹²⁾		P ⁽¹²⁾		P ⁽¹²⁾		P ⁽¹²⁾					P ⁽¹²⁾								
Consumer Goods, Furniture, Appliances, Equipment			P ⁽¹²⁾		P ⁽¹²⁾		P ⁽¹²⁾		P ⁽¹²⁾					P ⁽¹²⁾								
Pets & Pet Supplies			P ⁽¹²⁾		P ⁽¹²⁾		P ⁽¹²⁾		P ⁽¹²⁾					P ⁽¹²⁾								
Sundries, Pharmaceutical, & Convenience Sales			P ⁽¹²⁾		P ⁽¹²⁾		P ⁽¹²⁾		P ⁽¹²⁾					P ⁽¹²⁾								
Wearing Apparel & Accessories			P ⁽¹²⁾		P ⁽¹²⁾		P ⁽¹²⁾		P ⁽¹²⁾					P ⁽¹²⁾								
Separately Regulated Retail Sales Uses																						
Agriculture Related Supplies & Equipment			-		-		-		P					P								
Alcoholic Beverage Outlets			L		L		L		L					L								
Plant Nurseries			P		P		P		P					P								
Swap Meets & Other Large Outdoor Retail Facilities			-		-		-		-					C								
Commercial Services through Signs [No change.]																						

Footnotes to Table 131-05B

¹ through ¹⁰ [No change.]

¹¹ Large retail establishments are not permitted.

¹² New construction of a large retail establishment is subject to section 143.0302. Expansion or enlargement of an existing structure to 50,000 or more square feet requires a construction permit in accordance with section 127.0103(a) and is subject to section 143.0355(f).

Section 6. That Chapter 13, Article 1, Division 6 of the San Diego Municipal Code is amended by amending section 131.0622, Table 131-06B to read as follows:

§131.0622 Use Regulations Table for Industrial Zones

The uses allowed in the industrial zones are shown in Table 131-06B.

**Table 131-06B
Use Regulations Table for Industrial Zones**

Use Categories/ Subcategories [See section 131.0112 for an explanation and descriptions of the Use Categories, Subcategories, and Separately Regulated Uses]	Zone designator		Zones							
	1st & 2nd >>	IP ⁽¹⁵⁾ -		IL-			IH ⁽¹⁵⁾ -		IS ⁽¹⁵⁾ -	
		3rd >>	1-	2-	1-	2-	3-	1-	2-	1-
			4th >>	1	1	1	1	1	1	1
Open Space through Institutional	[No change.]									
Retail Sales										
Building Supplies & Equipment	-	-	P ^(6,15)	P ⁽¹⁶⁾	P ⁽¹⁶⁾	-	P ⁽⁶⁾	P		
Food, Beverages and Groceries	-	-	-	-	P ⁽¹⁶⁾	-	-	-		
Consumer Goods, Furniture, Appliances, Equipment	-	-	-	P ^(2,16)	P ⁽¹⁶⁾	-	-	P ⁽³⁾		
Pets & Pet Supplies	-	-	-	-	P ⁽¹⁶⁾	-	-	-		
Sundries, Pharmaceuticals, & Convenience Sales	-	P ⁽⁵⁾	P ^(5,15)	P ^(5,16)	P ⁽¹⁶⁾	P ⁽⁵⁾	P ⁽⁵⁾	P ⁽⁴⁾		
Wearing Apparel & Accessories	-	-	-	P ^(3,16)	P ^(3,16)	-	-	P ⁽³⁾		
Separately Regulated Retail Sales Uses										
Agriculture Related Supplies & Equipment	-	-	-	P	P	P	P	P		
Alcoholic Beverage Outlets	-	-	-	-	L	-	-	-		
Plant Nurseries	-	-	-	-	P	-	P	P		
Swap Meets & Other Large Outdoor Retail Facilities	-	-	C	C	C	C	C	C		
Commercial Services through Signs	[No change.]									

Footnotes for Table 131-06B

¹ through ¹⁴ [No change.]

¹⁵ Large retail establishments are not permitted.

New construction of a large retail establishment is subject to section 143.0302. Expansion or enlargement of an existing structure to 50,000 or more square feet requires a construction permit in accordance with section 127.0103(a) and is subject to section 143.0355(f).

Section 7. That Chapter 14, Article 2, Division 4 of the San Diego Municipal Code is amended by amending section 142.0404; by adding section 142.0405(c)(4); by amending section 142.0405(d); by amending section 142.0406(c)(3); and by amending section 142.0412 to read as follows:

§142.0404 Street Yard and Remaining Yard Planting Area and Point Requirements

[No change in first paragraph.]

Table 142-04C

Street Yard and Remaining Yard Planting Requirements

Type of Development Proposal	Type of Yard	Planting Area Required (Percentage of total yard area unless otherwise noted below) ⁽¹⁾	Plant Points Required (Number of plant points required per square foot of total <i>street yard</i> or <i>remaining yard area</i>) or required trees ⁽¹⁾
<i>Single Dwelling Unit Residential Development</i> in RM zones or <i>Multiple Dwelling Unit Residential Development</i> in any Zone	<i>Street Yard</i>	50% ⁽²⁾	0.05 points
	<i>Remaining Yard</i>	40 Square Feet per Tree	For single <i>structures</i> on a single <i>lot</i> , provide a minimum of 60 points, located in the <i>remaining yard</i> ⁽²⁾ For more than one <i>structure</i> on a single <i>lot</i> , provide one tree on each side and in the rear of each <i>structure</i> ⁽²⁾
<i>Commercial Development</i> in any Zone or <i>Industrial Development</i> in RM Zones or Commercial Zones	<i>Street Yard</i>	25% ⁽³⁾	0.05 points to be achieved with trees only ⁽³⁾
	<i>Remaining Yard</i>	30% ⁽³⁾	0.05 points
<i>Industrial Development</i> in any zone other than RM or Commercial Zones	<i>Street Yard</i>	25% ⁽⁴⁾	0.05 points
	<i>Remaining Yard</i>	See section 142.0405 (d)	0.05 points
<u><i>Large retail establishments</i> in Commercial--Community and Commercial--Regional Zones</u>	<u><i>Street Yard</i></u>	<u>100% ⁽³⁾ of minimum building front and street side setbacks (except access points and with encroachments allowed into the landscaped area for building articulation elements as defined in section 143.0355(a)(b))</u> <u>25% of the balance of <i>street yard</i></u>	<u>0.05 points, exclusive of palms</u>
	<u><i>Remaining Yard</i></u>	<u>30% ⁽³⁾</u>	<u>0.05 points</u>
<u><i>Large retail establishments</i> in</u>	<u><i>Street Yard</i></u>	<u>25% ⁽⁴⁾</u>	<u>0.05 points, exclusive of palms</u>

Type of Development Proposal	Type of Yard	Planting Area Required (Percentage of total yard area unless otherwise noted below) ⁽¹⁾	Plant Points Required (Number of plant points required per square foot of total <i>street yard</i> or <i>remaining yard area</i>) or required trees ⁽¹⁾
Industrial--Light Zones			
	<i>Remaining Yard</i>	<u>30%</u>	<u>0.05 points</u>

Footnotes to Table 142-04C

[No change.]

§142.0405 Additional Yard Planting Area and Point Requirements

(a) and (b)

[No change.]

(c) Additional commercial yard and large retail establishment requirements:

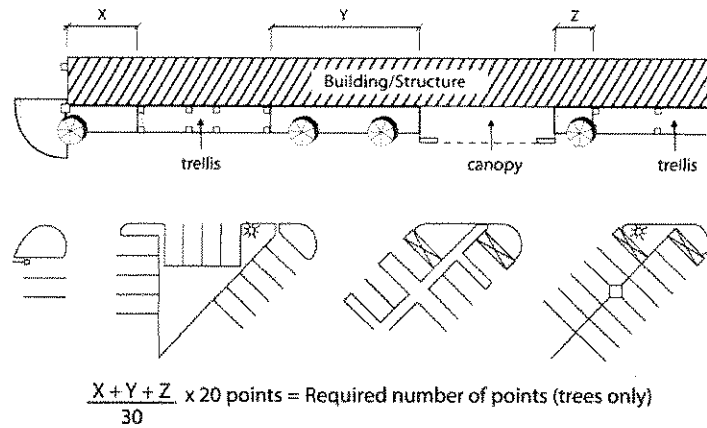
(1) through (3)

[No change.]

(4) Façade Planting Area for large retail establishments. Within the street yard, a façade planting area, as shown in Diagram 142-04A shall be provided between the vehicular use area and the street wall. This façade planting area shall be planted with a minimum of 20 points (trees only) at a linear rate of 30 feet of building street wall wherever trellises, arcades, awnings or extended covered entries do not occur which shall be a minimum of 30 percent of the length of the building street wall.

Diagram 142-04A

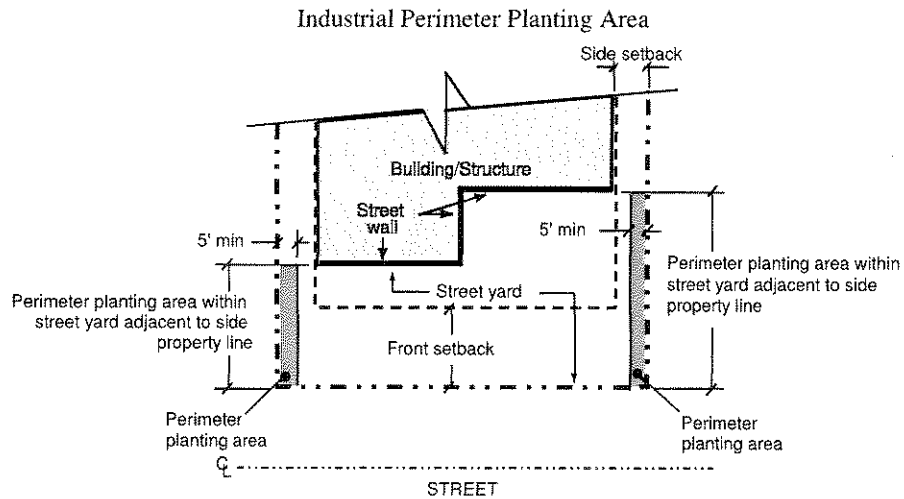
Façade Planting Area for Large Retail Establishments



$X + Y + Z = \text{minimum of 30\% of the length of the building street wall}$

- (d) Additional industrial yard and large retail establishment requirements:
- (1) **Perimeter Planting Area.** Within the *street yard* for industrial zones or industrial *development*, a 5-foot-wide perimeter planting area adjacent to each side *property line*, as shown in Diagram 142-04A, shall be provided for the full depth of the *street yard* except where vehicular access (maximum 25 feet) and pedestrian access (maximum 6 feet) points cross perpendicular to a side *property line*. This planting area shall be planted with a combination of trees and shrubs that achieves 0.2 points per square foot of the required area. Where loading docks are placed along more than 25 percent of the *street wall* length in the IL and IH zones, the perimeter planting area points required shall be increased to 0.5 points per square foot of area.

Diagram 142-04AB



- (2) **Facade Planting Area.** Within the *street yard*, a facade planting area, as shown in Diagram 142-04B, shall be provided that abuts the *street wall* and is at least equal to 50 percent of the length as determined by adding the lines connecting the outermost points of the structure along the street wall as shown in Diagram 142-04C, and that has a width of at least 9 feet measured perpendicularly to the building. This requirement shall not apply to *large retail establishments*.

Diagram 142-04BC

Industrial Facade Planting Areas

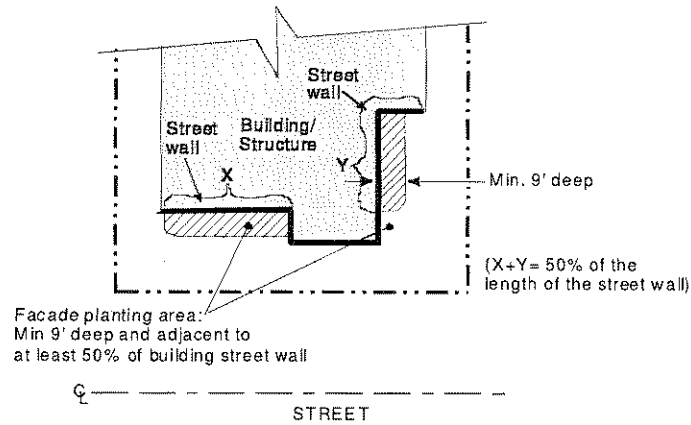
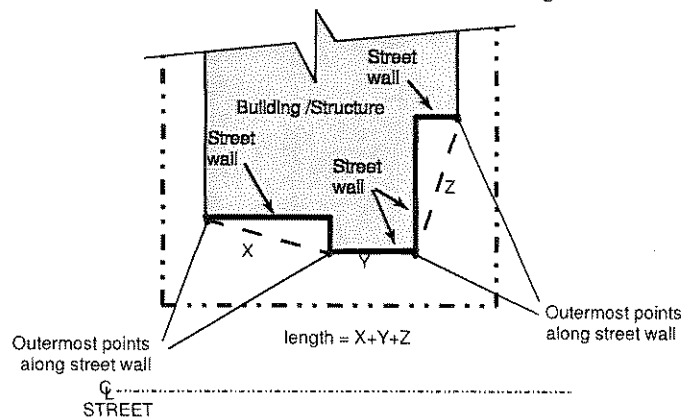


Diagram 142-04CD

Industrial Facade Area Street Wall Length



(A) and (B) [No change.]

(3) and (4) [No change.]

[No changes to remainder of section 142.0405(d)(2)]

§142.0406 Vehicular Use Area Planting Area and Point Requirements

(a) and (b) [No change.]

(c) A *vehicular use area* located within the *street yard* shall be separated from the curb in the *public right-of-way* by a required planting area totaling at

least 8 feet in width, measured perpendicularly to the *public right-of-way*.

This planting area shall meet the following requirements:

(1) and (2) [No change.]

(3) The width of this planting area may be reduced to 3 feet if a solid wall of at least 3 feet in height is provided for the entire length of the *vehicular use area* for sites under 5 acres. Sites that are between 5 and 10 acres are required to provide the planting area buffer that is 8 feet. For sites over 10 acres, a planting area buffer must be 12 feet in width with a potential reduction to 8 feet with a 3 feet high wall. The remaining planting area shall be located between the wall and curb within the *public right-of-way* and planted with the equivalent of 1 shrub for every 10 feet of wall length. These shrubs shall achieve at least 18 inches in height of maturity.

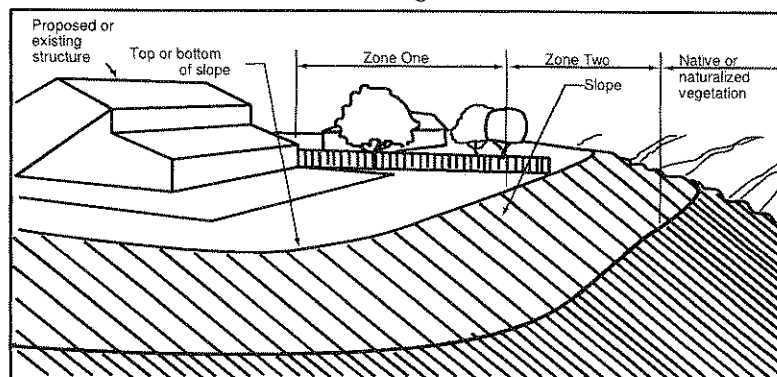
(4) [No change.]

§142.0412 Brush Management

(a) through (l) [No change.]

Diagram 142-04DE

Brush Management Zones



[No changes to remainder of section 142.0412]

Section 8. That Chapter 14, Article 3, Division 3 of the San Diego Municipal Code is amended by amending section 143.0302, Table 143-03A; and by adding section 143.0355 to read as follows:

§143.0302 When Supplemental Neighborhood Development Permit and Site Development Permit Regulations Apply

[No change to first paragraph.]

**Table 143-03A
Supplemental Neighborhood Development Permit or Site Development Permit
Regulations Applicability**

Type of Development Proposal	Applicable Sections	Required Development Permit/Decision Process
Affordable/In-Fill Housing Projects with Deviations through Clairemont Mesa Height Limit Overlay Zone [No change.]	[No change.]	[No change.]
New construction of a <i>large retail establishment</i> in CC Zones and planned districts, except in the Centre City Planned District, with a <i>gross floor area</i> of 50,000 to 99,999 square feet	143.0303, 143.0305, 143.0355, 143.0375	NDP/Process Two
New construction of a <i>large retail establishment</i> in CC Zones and planned districts, except in the Centre City Planned District, with a <i>gross floor area</i> of 100,000 or more square feet. The <i>gross floor area</i> of the building shall not exceed 150,000 square feet (excluding a contiguous unenclosed area such as a garden center)	143.0303, 143.0305, 143.0355, 143.0375	SDP/Process Four
New construction of a <i>large retail establishment</i> in the Centre City Planned District with a <i>gross floor area</i> of 100,000 or more square feet	143.0303, 143.0305, 143.0355, 143.0375	SDP/Process Four
New construction of a <i>large retail establishment</i> in IL-2-1, IL-3-1 Zones with a <i>gross floor area</i> of 50,000 or more square feet. The <i>gross floor area</i> of the building shall not exceed 150,000 square feet (excluding a contiguous unenclosed area such as a garden center)	143.0303, 143.0305, 143.0355, 143.0375	NDP/Process Two
New construction of a <i>large retail establishment</i> in CR Zones with a <i>gross floor area</i> of 50,000 or more square feet	143.0303, 143.0305, 143.0355, 143.0375	NDP/Process Two

§143.0355 Supplemental Neighborhood Development Permit and Site Development Permit Regulations for Large Retail Establishments

The following supplemental regulations apply to Neighborhood Development Permits and Site Development Permits for *large retail establishments*. The purpose of these regulations is to provide standards for the evaluation of *large retail establishments* in terms of design, bulk and scale. The intent of these regulations is to preserve community character, protect neighborhood aesthetics, create a more pedestrian scale environment, promote walkable communities, transit-oriented developments and diversity of uses per the adopted General Plan Strategic Framework Element and City of Villages strategy.

(a) Minimum Setbacks

- (1) A large retail establishment shall have a minimum front and street side setback of 8 feet. Architectural features as defined in section 143.0355(b) are permitted to encroach a maximum of 4 feet into the required front and street side yards.

(b) Building Articulation

- (1) A large retail establishment shall incorporate architectural features from at least four of the following eight categories as components of the design theme:

- (A) Pilasters
- (B) Trellises
- (C) Awnings or extended covered entries
- (D) Arcades
- (E) Varied roof lines or roof cornices
- (F) A minimum of three material changes, such as glazing, tile, stone or varied pattern/texture shall be provided in street (facing) wall surfaces, where no one material shall cover less

than 10 percent of the wall area or more than 60 percent of the wall area.

(G) A minimum of 25 percent of street wall area transparent with clear glass visible into a commercial use or a minimum of 25 percent of street wall area covered with display windows.

(H) Clerestory windows

(c) Pedestrian Paths

Pedestrian access and pathways shall be designed to provide an interconnected network for pedestrian travel between buildings within the same development. See section 131.0550 for specific regulations.

(d) Design Incentives

(1) Large retail establishments may receive only one of the following two incentives over the maximum 150,000 square feet allowed (excluding a contiguous unenclosed area such as a garden center):

(A) An additional maximum of 10,000 square feet of gross floor area in the CC (Commercial--Community) zones, IL-2-1 (Industrial--Light), IL-3-1 (Industrial--Light), and planned districts if any one of the following design components is incorporated as part of the development:

(i) Structured or underground parking for at least 25 percent of the required parking for the entire building;
or

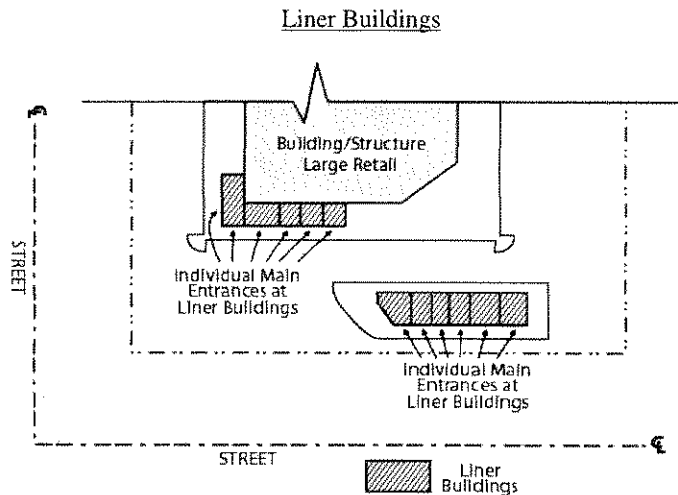
- (ii) At least 5,000 square feet of indoor or outdoor public space area. The public space area shall be a lunch or eating area, recreational area or similar public use and shall remain open during normal business hours; or
- (iii) Sustainable building measures in accordance with Council Policy 900-14, Private-Sector/Incentives for discretionary projects.

(B) An additional maximum of 20,000 square feet of *gross floor area* in the CC (Commercial--Community) zones, IL-2-1 (Industrial--Light), IL-3-1 (Industrial--Light), and planned districts if any one of the following design components is incorporated as part of the *development*:

- (i) Structured or underground parking for at least 50 percent of the required parking for the entire building;
or
- (ii) A minimum total of 5,000 square feet of liner buildings where these additional separately leased or owned buildings with separate individual main entrances are located facing the street frontage to help create a pedestrian scale environment. These liner buildings can be either detached from or attached to the *large retail establishment* within the same premises as shown in Diagram 143-03A; or

- (iii) Mixed-use development within the same premises as permitted by the applicable zone.

Diagram 143-03A



(e) Landscaping Requirements

See sections 142.0404, 142.0405 and 142.0406.

(f) Expansion or Enlargement of Existing Structures

Existing structures to be expanded or enlarged to 50,000 or more square feet shall not result in a building that exceeds 150,000 square feet (excluding a contiguous unenclosed area such as a garden center) except in the CR zones and Centre City Planned District and these existing structures to be expanded or enlarged shall comply with the following regulations in addition to applicable regulations in section 127.0103 (Review Process for Previously Conforming Premises and Uses).

(1) The landscape requirements for previously conforming properties in section 142.0410; and

(2) Minimum setback requirements in section 143.0355(a); and

(3) Pedestrian path requirements in section 143.0355(c).

Section 9. That Chapter 14, Article 3, Division 4 of the San Diego Municipal Code is amended by adding section 143.0410(a)(3)(H) to read as follows:

§143.0410 General Development Regulations for Planned Development Permits

[No change to first paragraph.]

(a) [No change.]

(1) and (2) [No change.]

(3) A Planned Development Permit may not be used to request deviations from any of the following regulations:

(A) through (G) [No change.]

(H) Supplemental regulations identified in section 143.0355

(Supplemental Neighborhood Development Permit and Site

Development Permit Regulations for Large Retail

Establishments).

Section 10. That Chapter 15, Article 1, Division 2 of the San Diego Municipal Code is amended by amending section 151.0253, Table 151-02F to read as follows:

§151.0253 Supplemental Development Regulations

[No change to first paragraph.]

Table 151-02F

Supplemental Development Regulations Applicability

Type of Development Proposal	Applicable Sections	Required Development Permit/Decision Process ⁽¹⁾
Residential and mixed commercial/residential development in facility deficient neighborhoods shown on Map B-4104 under circumstances outlined in section 151.0253(a)	151.0243(a)	Site Development Permit/Process 3

Residential development in a commercial zone on El Cajon Boulevard or University Avenue that is not part of a mixed-use (commercial-residential) project under circumstances outlined in section 151.0253(b)	Section 151.0253(b) and Land Development Code sections 126.0603, 126.0604, 126.0605 and 143.0410	Planned Development Permit/Process 3
Commercial development that varies from the required architectural features contained in section 151.0244	Section 151.0253(c) and Land Development Code sections 126.0603, 126.0604, 126.0605 and 143.0410	Planned Development Permit/Process 3
Commercial and Industrial establishments exceeding 5,000 square feet gross floor area subject to the criteria contained in section 151.0253	Section 151.0253(d) and Land Development Code sections 126.0603, 126.0604, 126.0605 and 143.0410	Planned Development Permit/Process 3
<u>New construction of a large retail establishment with a gross floor area of 50,000 to 99,999 square feet</u>	<u>143.0303, 143.0305, 143.0355, 143.0375</u>	<u>Neighborhood Development Permit/Planned Development Permit/Process 3</u>
<u>New construction of a large retail establishment with a gross floor area of 100,000 or more square feet. The gross floor area of the building shall not exceed 150,000 square feet (excluding a contiguous unenclosed area such as a garden center)</u>	<u>143.0303, 143.0305, 143.0355, 143.0375</u>	<u>Site Development Permit/Process 4</u>
Residential development that varies from the required architectural features contained in section 151.0232	Section 151.0253(e) and Land Development Code sections 126.0603, 126.0604, 126.0605 and 143.0410	Planned Development Permit/Process 3
Warehouses, Wholesale Distribution, and Light Manufacturing uses exceeding 10,000 square feet up to a maximum of 30,000 square feet, subject to the criteria contained in section 151.0253(f)	Section 151.0253(f) and Land Development Code sections 126.0603, 126.0604, 126.0605 and 143.0410	Planned Development Permit/Process 3

(a) [No change.]

Section 11. That a full reading of this ordinance is dispensed with prior to its final passage, a written or printed copy having been available to the City Council and the public a day prior to its final passage.

Section 12. This ordinance shall take effect and be in force on the thirtieth day after its passage. However, this ordinance will not apply within the Coastal Zone until the thirtieth day following the date the California Coastal Commission unconditionally certifies this ordinance as a local coastal program amendment. If this ordinance is not certified by the California Coastal Commission, this ordinance shall be void within the Coastal Zone.

Section 13. That City departments are instructed not to issue any permit for development

that is inconsistent with this ordinance unless application for such permit was submitted and deemed complete by the City Manager prior to the date this ordinance becomes effective.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By

Jana Garmo
Deputy City Attorney

JLG:als
9/8/06
Or.Dept:Planning
O-2007-29



THE CITY OF SAN DIEGO
MANAGER'S REPORT

DATE ISSUED: June 22, 2005 REPORT NO. 05-136

ATTENTION: Land Use and Housing Committee
Agenda of June 29, 2005

SUBJECT: Draft Ordinance Regulating Large Retail Development

REFERENCES: Planning Commission Memorandum, dated December 9, 2004;
Planning Commission Report PC-04-138;
Planning Commission Memorandum, dated May 7, 2004;
Planning Commission Report PC-04-014;
Manager's Report 03-151; Manager's Report 01-126;
Manager's Report 00-205; Planning Commission Report P-96-180;
Planning Commission Report P-96-080

SUMMARY

Issue – Should the Land Use and Housing (LU&H) Committee adopt the City Manager's recommendation and recommend to the City Council adoption of an ordinance that would apply a building size limitation, discretionary review at specified thresholds, additional design and landscape regulations, and incentive-based requirements to large retail development in some areas of the City?

Manager's Recommendations – Adopt the City Manager's recommended ordinance (see Attachment 1), which proposes:

- (1) No building size limit in areas designated for Regional Commercial uses;
- (2) Limiting the size of large retail establishments to 150,000 square feet except in the CR (Commercial-Regional) zones and the Centre City Planned District Ordinance (CCPDO);
- (3) Establishing a Process 2 Neighborhood Development Permit (NDP) at 50,000 square feet of building size in the CC (Commercial-Community) zones, CR zones, IL-2-1 (Industrial-Light) zone, IL-3-1 zone, and planned districts, except in the CCPDO;
- (4) Establishing a Process 4 Site Development Permit (SDP) at 100,000 square feet of building size in the CC zones and planned districts;

- (5) Including incentive-based requirements; and
- (6) Establishing additional design and landscape regulations in the CC zones, CR zones, IL-2-1 zone, IL-3-1 zone and planned districts.

LU&H Committee Recommendation - On July 23, 2003, LU&H directed staff to evaluate an ordinance proposal distributed at the meeting [Stockkeeping Units (SKU) Ordinance] (see Attachment 6), and to draft an ordinance regulating large retail development that includes design standards.

Planning Commission Recommendation - On December 16, 2004, the Planning Commission made a motion to recommend to the City Council that they approve staff's recommendation with the exception of item no. 2 as submitted in staff's memorandum, dated December 9, 2004 (see Attachment 2) which limits the size of large retail establishments to 150,000 square feet except in the CR zones and the CCPDO. The Planning Commission also recommended the inclusion of the design requirements as illustrated in Table 1 of the memorandum, dated December 9, 2004, with two exceptions: 1) the economic impact report should not be included as part of the ordinance, and 2) requirement that 25% of required parking be provided in parking structures for buildings over 150,000 square feet apply to the CC zones only. This motion passed by a 6-0 vote.

Community Planners Committee (CPC) Recommendation - On September 28, 2004, CPC voted 21-2-0 (one recusal) to support staff's recommendation presented to CPC with modifications as follows:

- (1) Eliminate the 150,000 square feet building size limitation;
- (2) Establish discretionary review (SDP Process 4) at 75,000 square feet instead of 100,000 square feet recommended by staff in the CC zones and planned districts;
- (3) Require a discretionary review (NDP Process 2) instead of Process 1 recommended by staff at 50,000 square feet of building size.

Three separate motions failed regarding re-leasing. More specifically, the first motion was to have staff return at a later date with a staff report on re-leasing issues; it failed with a vote of 1-17-2. The second motion was to have City Council recognize CPC's concerns about vacant buildings creating blight, public nuisance and contributing to lack of services; it failed with a vote of 10-12-1. The final motion stated that a re-leasing requirement, not involving demolition, should be added to the ordinance to require the vacating leaseholder to actively pursue re-leasing of the property and to prohibit leases from tying up vacant properties; it failed with a vote of 5-16-1.

Technical Advisory Committee (TAC) - On September 8, 2004, TAC made a series of motions summarized as follows:

- (1) Maintain current regulations as they are without adding further regulations (vote of 5-0-2);
- (2) Recommend an incentive-based approach so that if new regulations are added, they should be incentive-based (vote of 6-0-1);

- (3) Require traffic analysis for a change in retail user for buildings over 100,000 square feet in size (vote of 5-0-2);
- (4) Support 100,000 square feet threshold for discretionary review via an SDP Process 4 (vote of 5-0-2); and
- (5) Deny any form of re-leasing requirements in the City (vote of 5-0-2).

Land Development Code Monitoring Team (CMT) Recommendation - On September 8, 2004, CMT voted 7-0 to express opposition to any re-leasing requirements and support all items covered in the Planning Department recommendation with the following two exceptions:

- (1) Eliminate the building size limitation of 150,000 square feet; and
- (2) Require a Process 1 at 50,000 square feet of building size.

San Diego Business Improvement District (BID) Council - On December 16, 2004, the BID Council made a motion to support a large retail development ordinance which precludes the development of superstores in San Diego, with a superstore defined as a store with over 90,000 square feet, over 30,000 SKU, and over ten percent of gross sales revenues coming from sales of non-taxable items.

Small Business Advisory Board (SBAB) - The SBAB serves as an advocate of the small business community and advises the Mayor, City Council and City Manager on relevant issues among other duties. On January 26, 2005, the SBAB made two motions as follows:

- (1) Support the BID Council's proposal for a large retail development ordinance which precludes the development of superstores in San Diego, with a superstore defined as a store with over 90,000 square feet, over 30,000 SKU, and over ten percent of gross sales revenues coming from sales of non-taxable items. If any of the above three criteria is exceeded, an economic impact report would be required; and
- (2) Support the Planning Department's recommendation, which specifies the criteria for design and development of large retail stores. Both motions were voted upon and unanimously approved (9-0).

Other Recommendations - Other groups and organizations have considered recommendations including the American Institute of Architects (AIA), the San Diego Council of Design Professionals, the San Diego County Building Industry Association's (BIA) Metropolitan Legislative Committee, and the San Diego Regional Chamber of Commerce (see Attachment 3). A matrix comparing all of the recommendations against the Manager's Recommendation is included as Attachment 1A.

Fiscal Impact - The City of San Diego Community and Economic Development department has prepared a detailed analysis of the fiscal and economic impacts of large retail establishments (see Attachment 4).

Environmental Determination - This activity is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15305 of the state CEQA guidelines. California Environmental Quality Act determinations in other jurisdictions

were discussed at the May 13, 2004 Planning Commission Workshop (see Attachment 5 for additional information).

Code Enforcement Impact - The SKU ordinance proposal would result in a cumulative impact on Code Enforcement staff to determine compliance with the maximum SKU requirement contained in the proposal. A portion of this impact could be cost recoverable.

BACKGROUND

On July 23, 2003, the City Council's LU&H Committee directed Planning Department staff to develop an ordinance that would regulate large retail development and to analyze an ordinance proposal distributed at the meeting (see Attachment 6).

Planning Commission Report PC-04-014, prepared for the April 8, 2004 Planning Commission hearing (see Attachment 7), summarized the potential impacts of large retail establishments, relevant policies and their relationship to large retail development, regulations in other jurisdictions, and it also described both the SKU ordinance proposal and staff's recommended ordinance. Since the April 8, 2004 hearing, Planning Commission held three public workshops to discuss economic development trends, existing code regulations, land use, traffic, environmental, fiscal and economic issues related to large retail development. Public testimony was provided by a number of interest groups, including representatives from the Center for Policy Initiatives, Costco, Home Depot, the Joint Labor Management Committee, the San Diego BID Council, the San Diego Council of Design Professionals, the National Association of Industrial and Office Properties (NAIOP), the San Diego County BIA, the San Diego Regional Chamber of Commerce, and Wal-Mart among others.

Since July of 2004, and throughout the month of August, Planning Department staff reconsidered all technical studies, reviewed previous Planning Commission meeting tapes and previous staff reports. Staff met individually with the various interest groups previously mentioned above and others, including Lowe's, John Ziebarth, and the SBAB, to better understand their concerns and to obtain input. Staff established an e-mail interest list to provide updates on upcoming meetings and copies of reports.

On July 27, 2004, staff presented CPC with several possible alternative regulations for discussion. Staff attended the August and September meetings of the Land Development CMT and TAC to obtain formal recommendations from these two groups. Based on the outcome of these various meetings, staff drafted an ordinance to be presented to CPC in September of 2004. CPC also established a subcommittee to review and discuss the issue in more detail and provide a recommendation to the larger CPC at the September meeting. A summary of the two subcommittee meetings held on September 13 and 14, 2004 is included with this report (see Attachment 8).

On September 28, 2004 (see Attachment 9), CPC voted 21-2-0 (one recusal) to support staff's recommendation with modifications as follows:

- (1) Eliminate the 150,000 square feet building size limitation;
- (2) Establish discretionary review (SDP Process 4) at 75,000 square feet instead of 100,000 square feet recommended by staff in the CC zones and planned districts; and
- (3) Require a discretionary review (NDP Process 2) instead of Process 1 recommended by staff at 50,000 square feet of building size.

Three separate motions failed regarding re-leasing. More specifically, the first motion was to have staff return at a later date with a staff report on re-leasing issues; it failed with a vote of 1-17-2. The second motion was to have City Council recognize CPC's concerns about vacant buildings creating blight, public nuisance and contributing to lack of services; it failed with a vote of 10-12-1. The final motion stated that a re-leasing requirement, not involving demolition, should be added to the ordinance to require the vacating leaseholder to actively pursue re-leasing of the property and to prohibit leases from tying up vacant properties; it failed with a vote of 5-16-1.

During the period from October 2004 through January 2005, several interest groups met to formulate their specific recommendations with regards to the proposed ordinance. These groups include the following: the San Diego BID Council, the SBAB, the San Diego County BIA's Metropolitan Legislative Committee, the San Diego Council of Design Professionals and the San Diego Regional Chamber of Commerce.

On December 2, 2004, Planning Commission had an opportunity to hear staff's recommendation and consider the staff report (see Attachment 10) prepared to address this matter of a proposed ordinance regulating large retail development in the City. Public testimony by all the different interest groups and stakeholders was heard and the Planning Commission made a series of motions as follows:

A. First motion was made to support the following items from the staff's recommendation:

- (1) No building size limit in areas designated for Regional Commercial uses;
- (2) Limit the size of large retail establishments to 150,000 square feet except in the CR zones and the CCPDO;
- (3) Establish a Process 2 NDP at 50,000 square feet of building size in the CC zones, CR zones, IL-2-1 zone, IL-3-1 zone, and planned districts, except in the CCPDO; and
- (4) Establish a Process 4 SDP at 100,000 square feet of building size in the CC zones and planned districts.

PLUS

- (7) Require an economic impact analysis for 100,000 square feet and larger establishments.

It was decided that the design-related requirements would be dealt with under a separate motion.

(First motion failed - vote of 3-4)

B. Second motion was made to support the following items from the staff's recommendation:

- (3) Establish a Process 2 NDP at 50,000 square feet of building size in the CC zones, CR zones, IL-2-1 zone, IL-3-1 zone, and planned districts, except in the CCPDO;
- (4) Establish a Process 4 SDP at 100,000 square feet of building size in the CC zones and planned districts; and
- (6) Establish additional design and landscape regulations in the CC zones, CR zones, IL-2-1 zone, IL-3-1 zone and planned districts.

PLUS

- (7) Require an economic impact analysis for 100,000 square feet and larger establishments;
- (8) Establish additional design requirements for 50,000 square feet and larger establishments (building massing and distinct masses at 50,000 square feet via offsetting planes and rooflines; parking in smaller bases with landscaping in between areas; major pedestrian linkages between buildings and public transit; 5,000 square feet of public plaza for every 50,000 square feet of building);
- (9) Incorporate as part of the ordinance and/or resolution the purpose and intent of the ordinance that is directly associated with the City of Villages strategy and Strategic Framework Element; and
- (10) Convert incentives under staff's recommendation into standards or requirements that apply starting at the base line of 150,000 square feet of building size.

(Second motion carried - vote of 5-2)

C. Third motion was made to continue the item to December 16, 2004, and for staff to return with information reflecting design suggestions discussed on December 2, 2004.

(Third motion carried - unanimously)

On December 16, 2004, the Planning Commission made a motion to recommend to the City Council that they approve staff's recommendation with the exception of item no. 2 as submitted in staff's memorandum, dated December 9, 2004 (see Attachment 2) which limits the size of large retail establishments to 150,000 square feet except in the CR zones and the CCPDO. The Planning Commission also recommended the inclusion of the design requirements as illustrated in Table 1 of the memorandum, dated December 9, 2004, with two exceptions: 1) the economic impact report should not be included as part of the ordinance, and 2) requirement that 25% of required parking be provided in parking structures for buildings over 150,000 square feet apply to the CC zones only. This motion passed by a 6-0 vote.

In response to Planning Commission's design recommendations per Table 1 of the memorandum, dated December 9, 2004, please see Attachment 11, which includes these design recommendations with accompanying ordinance text and an explanation of where this text would be inserted if LU&H gives direction to add it to the staff's recommended ordinance.

The issue of pedestrian connection to transit in Table 1, as brought up by the Planning Commission, is already being addressed by City staff. Staff is currently working on

recommendations for updating the Land Development Code that will include addressing pedestrian paths and pedestrian site design requirements as well as other items including the location of bicycle and carpool/vanpool parking facilities on a site. Recommendations include language about the path system (width and location requirements) and connecting all buildings on the premises, as well as connecting transit facilities, plazas, and trails. These proposed requirements will help implement the City's Strategic Framework Element and mobility goals and actions outlined in its Action Plan by enhancing personal mobility.

DISCUSSION

This section of the report will cover several areas. First, it will address the benefits and concerns of large retail development that have been brought up and discussed during the various public meetings and workshops. Secondly, it will address other ordinances, including the SKU ordinance, by discussing their intent and content. Thirdly, it will cover the outcome of analyses that were done regarding traffic, environmental determination and fiscal and economic impacts, and provide information on sizes of existing large retail establishments. Finally, the proposed regulations and justifications for these regulations under the recommended ordinance will be addressed.

Benefits and Concerns of Large Retail Development

- **Recognizing the Benefits of Large Retail Development**

Throughout the development of this ordinance, much discussion has taken place regarding the benefits and concerns associated with large retail development. As stated in the "Fiscal and Economic Impacts of Large Retail Establishments," prepared by the City of San Diego Community & Economic Development department, large format retailers impose economic changes on a community and they must be measured against the underlying assumption of a free market economy, that is, that competition is fundamentally good for the consumer. Competition presumably drives prices down and stimulates efficiencies and other improvements in product design, performance, and availability. While City staff has previously identified potential adverse effects and concerns associated with large retail developments as they relate to the Strategic Framework policy, staff acknowledges that large retail developments can offer a wide selection of products in larger quantities at discounted prices as well as convenience to the consumers of a "one-stop-shop." Also, older neighborhoods and underserved areas in need of revitalization and economic reinvestment may benefit from a large retail establishment that could help meet the retail needs of residents in these areas. Large retail may also serve as a "magnet" attracting consumers to shop in other smaller nearby stores located in the vicinity of the large retail establishment. But it is important to recognize that the outcome and impacts of large retail development, whether positive or negative, are largely dependent on the existing socio-economic conditions of an area.

- **Potential Concerns and the Relationship with the City of Villages Strategy**

Aside from the benefits that can be associated with large retail development as previously described above, there are also potential concerns as this type of development relates to further implementation of the City of Villages strategy and the Strategic Framework policy adopted by the City Council. Some of these concerns relate to the fact that vacant land is becoming scarce in the City of San Diego, and therefore, new growth strategies need to be implemented to ensure continued opportunities for mixed-use development and a diversity of uses that can promote pedestrian scale environment, walkable communities, and transit-oriented development. Today, buildings have a tendency to get larger which is another concern that can also affect community character. Therefore, it is important to address building bulk and scale of large retail establishments as they relate to the creation of pedestrian scale environments.

Other Ordinances

- **SKU Ordinance Proposal**

As discussed in previous staff reports to Planning Commission, the SKU ordinance would not allow a food, beverage, or groceries facility to be established or enlarged if such facility would contain more than 90,000 square feet, and more than 30,000 SKU and more than ten percent of its gross sales revenues would come from sale of non-taxable (grocery) items. This proposal could protect some existing neighborhood scale grocery stores from competition; however, its scope does not fully address the community character aspects associated with large retail development. On the other hand, the staff recommended ordinance goes further to mitigate the design impacts of large scale retailing. Although design standards could be added to the SKU ordinance proposal, it would still allow other types of large retail stores of an unlimited size that do not sell groceries or that sell groceries under the proposed threshold of ten percent. In addition, the effectiveness of design standards and regulations may diminish as store sizes increase without limitation throughout the city. As such, the ordinance poses a concern towards implementing the Strategic Framework City of Villages policy and preventing inefficient use of underutilized infill sites near transit for auto-oriented development. This could in turn work against policy strategies that promote an integrated transit system and guide future development to focus on walkability and less dependence on the automobile.

- **How Other Cities Address Large Retail Development**

Staff has been able to identify several adopted municipal ordinances, which address development of large retail establishments in their respective jurisdictions (see Attachment 12). Staff understands that there are no ordinances adopted up to this date that apply the method of SKU as part of the ordinance language.

Analyses

- **Fiscal and Economic Impact Analysis**

A fiscal and economic impact analysis was conducted by City staff from the Community and Economic Development department to consider the potential impacts of large retail establishments on the local economy. This analysis considered methodologies from other similar studies conducted by other agencies, such as the Orange County Business Council, the Bay Area Economic Forum, and the Los Angeles County Economic Development Corporation. The different methodologies used by these agencies considered the potential negative and positive impacts associated with supercenters and what the benefits would be to consumers. The conclusion that was arrived at by staff indicates that there would be no net gain for the local economy, and that there is a greater likelihood for a negative fiscal impact since supercenters can reasonably be expected to contribute towards increased urban blight in older areas of the City by causing higher vacancies in older, smaller retail stores which are rendered "functionally or economically obsolescent" by the construction of the larger stores. This urban blight is then typically mitigated through redevelopment projects carried out by the City's Redevelopment Agency.

- **Traffic Analysis**

Traffic impact analysis will be conducted during the discretionary review process for the development of actual large retail establishments. While localized traffic impacts are anticipated with future development of large retail establishments, CEQA does not require traffic impacts to be quantified at this time because this action involves a policy decision and, in and of itself, will not result in any development project. It should also be noted that further restrictions on size and location of large retail buildings per the proposed ordinance would not cause greater future traffic impacts than are already anticipated per the adopted community plans.

Although initially, representatives of Wal-Mart indicated that a study conducted by Kimley-Horn and Associates, Inc. regarding trip generation was available, staff was later told by both Wal-Mart and Kimley-Horn that the study should not be used. In May of 2004, staff was informed that Wal-Mart intended to commission a current study, but was not clear on how long it would take to produce this study.

At the December 2, 2004 Planning Commission hearing, Wal-Mart representatives provided to the Planning Commission a traffic study, dated November 20, 2003, prepared by TJKM, a transportation engineering and planning consulting firm. Staff had an opportunity to review this traffic study and conclude that the study does not present any information that would counter staff's position that it is not possible to quantify at this time how the ordinance would affect traffic because of the complexity and all the inter-related factors (as summarized in the Planning Commission Report PC-04-014 issued April 2, 2004 and discussed in more detail in the memorandum to the Planning Commission dated May 7, 2004).

- **Environmental Determination**

Adoption of this ordinance has been determined to be exempt from CEQA pursuant to Section 15305 of the state CEQA guidelines. The standard of review for using this categorical exemption is that the ordinance has no reasonable possibility of resulting in an adverse effect on the environment (CEQA Guidelines Section 15300.2). Had the ordinance not included the addition of development regulations, staff would not have subjected ordinance approval to CEQA pursuant to sections 15060(c)(3) and 15378 of the CEQA guidelines.

The CEQA standard of review used to determine whether an action is a "project" and subject to CEQA [CEQA Guidelines sections 15060(c)(3) and 15378] is whether the action has the "potential to result in a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment." Staff has found that the addition of development regulations via the ordinance meet this standard even though the implementation of the development regulations would result in positive, not adverse, effects on the environment. Therefore, the ordinance as a whole is a "project" and is subject to CEQA.

However, staff rejects the argument that large retail establishment siting restriction provisions of the ordinance have "the potential to result in a direct physical change in the environment or a reasonably foreseeable indirect change in the environment." Instead, staff believes that any assessment of possible future impacts would be remote and speculative. Ordinances banning large retail establishments, but not including the addition of development regulations, have been determined not to be "projects" and therefore not subject to CEQA by other jurisdictions.

Staff originally made the determination that adoption of this ordinance was a project that was addressed by CEQA under the "General Rule" [Section 15061(b)(3) of the CEQA Guidelines], which states that

CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment the activity is not subject to CEQA.

Given the arguments presented, that the project would have a significant impact in testimony to the Planning Commission, staff now finds that adoption of the ordinance is categorically exempt per section 15305 of the CEQA Guidelines.

- **Size Survey of Existing Large Retail Establishments**

Please see below for a partial listing of some large retail establishments and grocery stores in San Diego.

- Home Depot at Imperial Marketplace - 107,920 square feet (sq. ft.) with a 23,920 sq. ft. garden center
- Mervyn's at Sports Arena - 93,590 sq. ft.
- Ralph's in Downtown San Diego - 43,000 sq. ft.
- Costco in Mission Valley - 147,000 sq. ft.
- IKEA at Fenton Marketplace - 190,522 sq. ft.
- Lowe's at Fenton Marketplace - 142,000 sq. ft.
- Wal-Mart at College Grove - 131,000 sq. ft.
- Target at College Grove - 120,000 sq. ft.
- Food-4-Less at Market Creek Plaza - 59,000 sq. ft.
- Home Depot at Genesee Plaza - 98,961 sq. ft. with a 23,304 sq. ft. garden center

Data obtained from contacting the following corporations or visiting their websites is as follows:

Home Depot ranges from 45,000 to over 100,000 sq. ft.
 Costco ranges from 120,000 to 160,000 sq. ft.
 Target average size is 122,280 sq. ft.
 Lowe's prototype store is 116,000 sq. ft.
 Vons ranges from 65,000 to 75,000 sq. ft.
 Ralphs prototype store is 58,000 sq. ft.
 Wal-Mart: Neighborhood Market ranges from 42,000 to 55,000 sq. ft.
 Discount Store ranges from 40,000 to 125,000 sq. ft.
 Supercenter ranges from 100,000 to 220,000 sq. ft.
 Sam's Club ranges from 110,000 to 130,000 sq. ft.

Proposed Regulations

- **Supporting the City of Villages Strategy**

The Council-adopted Strategic Framework Element directs new growth into mixed-use village opportunity areas accessible to transit. Additionally, the Strategic Framework Element promotes walkable communities and transit-oriented developments in the City of San Diego. The subject ordinance would help reduce the possibility of inefficient use of land near transit for auto-oriented development that does not support adopted General Plan policies. In essence, the purpose of the ordinance and its regulations is to provide standards for the evaluation of large retail establishments that will address the design, bulk and scale of these establishments. The intent of the regulations is to preserve community character, create a more pedestrian scale environment, promote walkable communities, transit-oriented developments and diversity of uses within potential future village areas in the City of San Diego per the City Council adopted General Plan Strategic Framework Element and City of Villages strategy.

- **Proposed Regulations and Justifications for the Staff's Recommendations**

Within the context of the City of Villages strategy as well as taking into account input from the various interest groups, staff developed specific regulations for large retail development that propose the following:

- (1) No building size limit in areas that allow or are designated for Regional Commercial uses

Areas that allow and are designated for Regional Commercial uses are intended to accommodate large-scale and high-intensity regional serving type developments. Examples of these areas include the large commercial area in Carmel Mountain Ranch, University Towne Center, La Jolla Village Square, Fashion Valley Shopping Center, Mission Valley Shopping Center, Centre City planned district area, and College Grove Center. Therefore, no building size limit is proposed in these areas.

- (2) Limiting the size of large retail establishments to 150,000 square feet except in the CR zones and the CCPDO

The intent of the proposed regulations is to preserve community character, create a more pedestrian scale environment, and promote walkable communities, transit-oriented developments and diversity of uses per the adopted General Plan Strategic Framework Element and City of Villages strategy. The 150,000 square feet building size limitation reflects and covers the sizes of the large majority of large retail establishments as they exist in our communities today. Furthermore, it is important to recognize that land is becoming a scarce element these days, and that we must all apply new methods to accommodate future growth and fulfill adopted policy strategies, such as the Strategic Framework Element. Therefore, a building size limitation of 150,000 square feet is being proposed by staff in order to prevent these types of establishments from getting larger and to help preserve community character while creating more pedestrian-oriented environments.

- (3) Establishing a Process 2 NDP at 50,000 square feet of building size in the CC zones, CR zones, IL-2-1 zone, IL-3-1 zone, and planned districts, except in the CCPDO

This addresses the smaller formats of large retail establishments with sizes starting at 50,000 square feet, and it also addresses CPC's recommendation to involve the communities in the review process at this size threshold. It should be noted that the Centre City Advisory Committee for the Centre City planned district area is currently involved in the review of retail stores to be located on 10,000 square feet or greater lot sizes, and that more strict urban design requirements already exist in the CCPDO, therefore the Process 2 NDP at 50,000 square feet of building size would not be fulfilling a new purpose and it would not be required as part of the CCPDO. However, because stores over 100,000 square feet may have additional and more complex design considerations due to unique loading and/or other service related

requirements, large retail establishments at 100,000 square feet of building size in the downtown area would be subject to a higher level of review via the Process 4 SDP.

- (4) Establishing a Process 4 SDP at 100,000 square feet of building size in the CC zones and planned districts

The 100,000 square feet size threshold is reflective of the size of a community shopping center that can include a large retail establishment as defined in the City's trip generation manual (May 2003), SANDAG's traffic generation rates guide for the San Diego region, and by the International Council of Shopping Centers (ICSC). The 100,000 square feet threshold eliminates previous concerns of arbitrariness brought up by various interest groups and stakeholders at the April 8, 2004 Planning Commission hearing and subsequent workshops with the Planning Commission.

- (5) Including incentive-based requirements

When meeting with the TAC, CMT, and various interest groups, comments were made about providing incentives rather than just applying additional regulations as part of the ordinance. Therefore, these incentive-based requirements would allow for additional square footage above the 150,000 square feet building size limitation in exchange for additional site design features.

- (6) Establishing additional design and landscape regulations in the CC zones, CR zones, IL-2-1 zone, IL-3-1 zone and planned districts

The proposed design and landscape regulations address large retail development by incorporating elements that emphasize pedestrian-scale environment and address the bulk and scale issue of these large structures. The proposed regulations are a result of working together with various interest groups, such as the CMT, and regulations were developed so that they are reasonable, practical, and allow for design flexibility with options within certain requirements.

The proposed ordinance is not intended to target any specific user, but instead it is intended to regulate all new large retail establishments that have a gross floor area of 50,000 square feet or more. Overall, the purpose of the ordinance is to address planning aspects associated with size, location and design of new large retail establishments through a series of regulations. The expansion or enlargement of existing structures to 50,000 square feet or greater and not to exceed 150,000 square feet (excluding a contiguous unenclosed area such as a garden center) except in the CR zones and Centre City planned district is addressed in the proposed ordinance.

After careful consideration of the types of permits and processes available to potentially regulate large retail establishments, staff reached a consensus that development permits, such as NDP Process 2 and SDP Process 4 are in fact the appropriate mechanisms to process these types of developments since the goal is to address and regulate the development of these establishments rather than the use itself. Therefore, all additional

design regulations for large retail development are found under the "Supplemental NDP and SDP Regulations" portion of the LDC. Also, all of the 19 planned districts currently include a reference to the Supplemental Development Regulations (Article 3) found under General Regulations (Chapter 14) of the LDC.

The idea of requiring an economic impact report as part of the proposed ordinance was most recently raised by the San Diego BID Council as evidenced by their recommendation. This type of report will be considered separately and not as a part of this proposed ordinance because it is a part of a larger Strategic Framework Action Item to prepare a format for a "community impact report" to be applied citywide for major development projects. This will require major development projects to be defined to include all types of projects (residential, commercial, and industrial), which could result in community and citywide economic and fiscal impacts. Jurisdictions that have adopted or are considering economic assessment as a means of mitigating the impacts of large retail development include the states of Maryland and Vermont, Lake Placid (New York), Bozeman (Montana), and Los Angeles. The Planning Commission discussed the issue of requiring the economic impact report as part of the proposed ordinance and concluded that it should be dealt with as a separate item and not as a part of this ordinance based on staff's explanation.

The staff recommended ordinance may still preclude the development of supercenters in certain areas of the city since these are currently typically established at sizes greater than 170,000 square feet. However, there is some recent evidence that suggests supercenters can exist in smaller buildings. Neither the staff recommended ordinance nor the SKU ordinance proposal would preclude the development of large retail centers or "power centers" containing two or more large retail establishments. In addition, these centers could be developed to be more village-like in character and function.

The majority of stakeholders that staff has met with during the past few months believes that there should not be a building size limitation as part of the ordinance. Options previously presented to CMT included requirements for multistory buildings and structured parking in urbanized areas to allow stores without a building size limitation. Due to the varied character of individual communities, the requirement for large multistory structures and structured parking may increase the visual effect of massing in certain communities. The CMT did not support these design standards due to possible unintended design impacts and cost considerations. Staff's recommendation still includes a building size limitation, except in the CR zones and CCPDO, in order to help protect and promote existing and future village areas; create more walkable communities; and reduce the likelihood of future auto-oriented developments near transit in the City of San Diego.

CONCLUSION


Based on analysis of various proposals and numerous meetings with various interest groups and stakeholders during the past several months, the Planning Department recommends the ordinance included as Attachment 1. The staff recommended ordinance supports the retention and strengthening of local retail and neighborhood-serving commercial uses that are essential to


village development by establishing a building size limitation for large retail establishments in CC zones, IL-2-1 and IL-3-1 zones, and planned districts and with the exception of CR zones and CCPDO. The proposed ordinance also allows for community input and participation in the decision-making process through the discretionary review processes. And finally, it incorporates additional design and landscape regulations with options within certain requirements to promote design flexibility and creativity. However, the LU&H Committee of the City Council may consider alternatives as identified in the following section of this report.

ALTERNATIVES

- Approve City Manager's recommendation with modifications; or
- Deny City Manager's recommendation and keep existing regulations as they are currently found in the Land Development Code; or
- Deny City Manager's recommendation and support the SKU Ordinance.

Respectfully submitted,


S. Gail Goldberg, AICP
Planning Director


Approved: Ellen Oppenheim
Deputy City Manager

OPPENHEIM/CC/PC/ah

- Attachments:
1. Draft Large Retail Development Ordinance
 - 1A. Matrix Comparison of all Recommendations against Staff's Recommendation
 2. Memorandum to Planning Commission (dated December 9, 2004)
 3. Other Recommendations
 4. Fiscal and Economic Impact Analysis of Large Retail Establishments
 5. Summary of CEQA Determinations in Other Jurisdictions
 6. SKU Ordinance Proposal
 7. Planning Commission Report PC-04-014 (without attachments)
 8. Community Planners Committee (CPC) Subcommittee - Meeting Summary
 9. Memorandum to CPC - dated September 21, 2004 (without attachments)
 10. Planning Commission Report PC-04-138
 11. Additional Requirements for Consideration - per Planning Commission's Recommendation
 12. Other Ordinances Addressing Large Retail Development

STRIKEOUT ORDINANCE

OLD LANGUAGE: ~~STRIKEOUT~~NEW LANGUAGE: UNDERLINE

(O-2004-105)

ORDINANCE NUMBER O-_____ (NEW SERIES)

ADOPTED ON _____

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SAN DIEGO AMENDING CHAPTER 11, ARTICLE 3, DIVISION 1, BY AMENDING SECTION 113.0103; AMENDING CHAPTER 12, ARTICLE 6, DIVISION 4 BY ADDING SECTION 126.0402(j); AMENDING CHAPTER 12, ARTICLE 6, DIVISION 5 BY ADDING SECTION 126.0502(d)(6); AMENDING CHAPTER 12, ARTICLE 7, DIVISION 1 BY AMENDING SECTION 127.0103(a), TABLE 127-01A; AMENDING CHAPTER 12, ARTICLE 7, DIVISION 1 BY ADDING SECTION 127.0106(e); AMENDING CHAPTER 13, ARTICLE 1, DIVISION 5, BY AMENDING SECTION 131.0522, TABLE 131-05B; AMENDING CHAPTER 13, ARTICLE 1, DIVISION 6, BY AMENDING SECTION 131.0622, TABLE 131-06B; AMENDING CHAPTER 14, ARTICLE 2, DIVISION 4, BY AMENDING SECTION 142.0404; AMENDING CHAPTER 14, ARTICLE 2, DIVISION 4, BY ADDING SECTION 142.0405(c)(4); AMENDING CHAPTER 14, ARTICLE 2, DIVISION 4, BY AMENDING SECTION 142.0405(d); AMENDING CHAPTER 14, ARTICLE 2, DIVISION 4, BY AMENDING SECTION 142.0406(c)(3); AMENDING CHAPTER 14, ARTICLE 2, DIVISION 4, BY AMENDING SECTION 142.0412; AMENDING CHAPTER 14, ARTICLE 3, DIVISION 3, BY AMENDING SECTION 143.0302, TABLE 143-03A; AMENDING CHAPTER 14, ARTICLE 3, DIVISION 3, BY ADDING SECTION 143.0355; AMENDING CHAPTER 14, ARTICLE 3, DIVISION 4 BY ADDING SECTION 143.0410(a)(3)(H); AND AMENDING CHAPTER 15, ARTICLE 1, DIVISION 2, BY AMENDING SECTION 151.0253, TABLE 151-02F, ALL PERTAINING TO LARGE RETAIL ESTABLISHMENTS.

§113.0103 Definitions

Abutting property through Land use plans [No change.]

Large retail establishment means one single-tenant retail establishment 50,000

square feet or greater of gross floor area or one multiple tenant retail

establishment 50,000 square feet or greater of gross floor area where the multiple

tenants share common check stands, a controlling interest, storage areas,

warehouses, or distribution facilities.

Lateral access through Yard

[No change.]

§126.0402 When a Neighborhood Development Permit Is Required

(a) through (i) [No change.]

- (j) A Neighborhood Development Permit is required for the development and new construction of a large retail establishment in the CC (Commercial--Community) zones, CR (Commercial--Regional) zones, IL-2-1 (Industrial--Light), IL-3-1 (Industrial--Light) and all planned districts, except in the Centre City Planned District, with a minimum size of 50,000 square feet as described in Section 143.0302.

§126.0502 When a Site Development Permit Is Required

(a) through (c) [No change.]

- (d) A Site Development Permit decided in accordance with Process Four is required for the following types of development.

(1) through (5) [No change.]

- (6) Development and new construction of a large retail establishment in the CC (Commercial--Community) zones and planned districts with a minimum size of 100,000 square feet as described in Section 143.0302.

(e) [No change.]

§127.0103 Review Process for Previously Conforming Premises and Uses

[No change in first paragraph.]

- (a) *Previously Conforming Structural Envelope*

Table 127-01A
Review Process for Previously Conforming Structural Envelope

Type of <i>Development Proposal</i>	Applicable Sections	Required Development Permit/Decision Process
Maintenance, repair or alteration (less than or equal to 50% of <i>market value</i> of entire <i>structure</i> or improvement) through Reconstruction (following fire, natural disaster, act of the public enemy) for nonresidential <i>structures</i> .	[No change.]	[No change.]
Expansion/enlargement, where new construction conforms with all current development regulations.	127.0106(a), (b) <u>and</u> (e)	CP/Process 1
Expansion/enlargement where new construction requests a reduction of up to 20% from required <i>setbacks</i> .	[No change.]	[No change.]

(b) [No change.]

(c) [No change.]

§127.0106 Expansion or Enlargement of Previously Conforming Structures

(a) through (d) [No change.]

(e) Proposed expansion or enlargement of a *previously conforming large retail establishment* shall not result in a structure that is greater than 150,000 square feet in building size (excluding a contiguous unenclosed area such as a garden center) except in the CR zones and Centre City Planned District. See Section 143.0355(f) for supplemental regulations for the expansion or enlargement of *previously conforming large retail establishment* structures.

§131.0522 Use Regulations Table of Commercial Zones

Table 131-05B
Use Regulations Table for Commercial Zones

Use Categories/Subcategories [See Section 131.0112 for an explanation and descriptions of the Use Categories, Subcategories, and Separately Regulated Uses]	Zone Designator		Zones									
	1st & 2nd >>	CN ^{(1,11)-}			CR-		CO ⁽¹¹⁾⁻		CV ⁽¹¹⁾⁻		CP-	
		1-			1-	2-	1-	1-		1-		
		1	2	3	1	1	1	2	1	2	1	
Open Space through Institutional [No change.]												
Retail Sales												
Building Supplies & Equipment			P	P ⁽¹²⁾	P ⁽¹²⁾	-	-	-	-	-	-	
Food, Beverages and Groceries			P	P ⁽¹²⁾	P ⁽¹²⁾	P	-	P	-	-	-	
Consumer Goods, Furniture, Appliances, Equipment			P	P ⁽¹²⁾	P ⁽¹²⁾	P ⁽³⁾	-	-	-	-	-	
Pets & Pet Supplies			P	P ⁽¹²⁾	P ⁽¹²⁾	-	-	-	-	-	-	
Sundries, Pharmaceutical, & Convenience Sales			P	P ⁽¹²⁾	P ⁽¹²⁾	P	-	P	-	-	-	
Wearing Apparel & Accessories			P	P ⁽¹²⁾	P ⁽¹²⁾	-	-	P	-	-	-	
Separately Regulated Retail Sales Uses												
Agriculture Related Supplies & Equipment			-	-	P	P	-	-	-	-	-	
Alcoholic Beverage Outlets			L	-	L	L	L	-	L	-	-	
Plant Nurseries			P	-	P	P	-	-	-	-	-	
Swap Meets & Other Large Outdoor Retail Facilities			-	-	C	C	-	-	C ⁽¹⁰⁾	-	-	
Commercial Services through Signs [No change.]												

Use Categories/Subcategories [See Section 131.0112 for an explanation and descriptions of the Use Categories, Subcategories, and Separately Regulated Uses]	Zone Designator		Zones																							
	1st & 2nd >>		CC-																							
	3rd >>		1-			2-			3-		4-					5-										
	4th >>		1	2	3	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5						
Open Space through Institutional		[No change.]																								
Retail Sales																										
Building Supplies & Equipment		p ⁽¹²⁾		p ⁽¹²⁾			-		p ⁽¹²⁾					p ⁽¹²⁾												
Food, Beverages and Groceries		p ⁽¹²⁾		p ⁽¹²⁾			p ⁽¹²⁾		p ⁽¹²⁾					p ⁽¹²⁾												
Consumer Goods, Furniture, Appliances, Equipment		p ⁽¹²⁾		p ⁽¹²⁾			p ⁽¹²⁾		p ⁽¹²⁾					p ⁽¹²⁾												
Pets & Pet Supplies		p ⁽¹²⁾		p ⁽¹²⁾			p ⁽¹²⁾		p ⁽¹²⁾					p ⁽¹²⁾												
Sundries, Pharmaceutical, & Convenience Sales		p ⁽¹²⁾		p ⁽¹²⁾			p ⁽¹²⁾		p ⁽¹²⁾					p ⁽¹²⁾												
Wearing Apparel & Accessories		p ⁽¹²⁾		p ⁽¹²⁾			p ⁽¹²⁾		p ⁽¹²⁾					p ⁽¹²⁾												
Separately Regulated Retail Sales Uses																										
Agriculture Related Supplies & Equipment		-		-			-		P					P												
Alcoholic Beverage Outlets		L		L			L		L					L												
Plant Nurseries		P		P			P		P					P												

Use Categories/Subcategories [See Section 131.0112 for an explanation and descriptions of the Use Categories, Subcategories, and Separately Regulated Uses]	Zone Designator	Zones																			
	1st & 2nd >>	CC-																			
	3rd >>	1-				2-				3-				4-				5-			
	4th >>	1	2	3	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5		
Swap Meets & Other Large Outdoor Retail Facilities		-			-				-					-				C			
Commercial Services through Signs [No change.]																					

Footnotes to Table 131-05B

¹ through ¹⁰ [No change.]

¹¹ Large retail establishments are not permitted.

¹² New construction of a large retail establishment is subject to Section 143.0302. Expansion or enlargement of an existing structure to 50,000 square feet or greater requires a construction permit in accordance with Section 127.0103(a) and is subject to Section 143.0355(f).

§131.0622 Use Regulations Table for Industrial Zones

The uses allowed in the industrial zones are shown in Table 131-06B.

Table 131-06B
Use Regulations Table for Industrial Zones

Use Categories/ Subcategories [See Section 131.0112 for an explanation and descriptions of the Use Categories, Subcategories, and Separately Regulated Uses]	Zone designator	Zones								
	1st & 2nd >>	IP ⁽¹⁵⁾ -		IL-			IH ⁽¹⁵⁾ -		IS ⁽¹⁵⁾ -	
	3rd >>	1-	2-	1-	2-	3-	1-	2-	1-	
	4th >>	1	1	1	1	1	1	1	1	
Open Space through Institutional [No change.]										
Retail Sales										
Building Supplies & Equipment		-	-	P ^(6,15)	P ⁽¹⁶⁾	P ⁽¹⁶⁾	-	P ⁽⁶⁾	P	
Food, Beverages and Groceries		-	-	-	-	P ⁽¹⁶⁾	-	-	-	
Consumer Goods, Furniture, Appliances, Equipment		-	-	-	P ^(2,16)	P ⁽¹⁶⁾	-	-	P ⁽³⁾	
Pets & Pet Supplies		-	-	-	-	P ⁽¹⁶⁾	-	-	-	
Sundries, Pharmaceuticals, & Convenience Sales		-	P ⁽⁵⁾	P ^(5,15)	P ^(5,16)	P ⁽¹⁶⁾	P ⁽⁵⁾	P ⁽⁵⁾	P ⁽⁴⁾	
Wearing Apparel & Accessories		-	-	-	P ^(3,16)	P ^(3,16)	-	-	P ⁽³⁾	
Separately Regulated Retail Sales Uses										
Agriculture Related Supplies & Equipment		-	-	-	P	P	P	P	P	
Alcoholic Beverage Outlets		-	-	-	-	L	-	-	-	
Plant Nurseries		-	-	-	-	P	-	P	P	
Swap Meets & Other Large Outdoor Retail Facilities		-	-	C	C	C	C	C	C	

Use Categories/ Subcategories [See Section 131.0112 for an explanation and descriptions of the Use Categories, Subcategories, and Separately Regulated Uses]	Zone designator	Zones							
	1st & 2nd >>	IP ⁽¹⁵⁾⁻		IL-			IH ⁽¹⁵⁾⁻		IS ⁽¹⁵⁾⁻
	3rd >>	1-	2-	1-	2-	3-	1-	2-	1-
	4th >>	1	1	1	1	1	1	1	1
Commercial Services through Signs		[No change.]							

Footnotes for Table 131-06B

¹ through ¹⁴ [No change.]

¹⁵ Large retail establishments are not permitted.

¹⁶ New construction of a large retail establishment is subject to Section 143.0302. Expansion or enlargement of an existing structure to 50,000 square feet or greater requires a construction permit in accordance with Section 127.0103(a) and is subject to Section 143.0355(f).

§142.0404 Street Yard and Remaining Yard Planting Area and Point Requirements

[No change in first paragraph.]

Table 142-04C

Street Yard and Remaining Yard Planting Requirements

Type of Development Proposal	Type of Yard	Planting Area Required (Percentage of total yard area unless otherwise noted below) ⁽¹⁾	Plant Points Required (Number of plant points required per square foot of total street yard or remaining yard area) or required trees ⁽¹⁾
Single Dwelling Unit Residential Development in RM zones or Multiple Dwelling Unit Residential Development in any Zone	Street Yard	50% ⁽²⁾	0.05 points
	Remaining Yard	40 Square Feet per Tree	For single structures on a single lot, provide a minimum of 60 points, located in the remaining yard ⁽²⁾ For more than one structure on a single lot, provide one tree on each side and in the rear of each structure ⁽²⁾
Commercial Development in any Zone or Industrial Development in RM Zones or Commercial Zones	Street Yard	25% ⁽³⁾	0.05 points to be achieved with trees only ⁽³⁾
	Remaining Yard	30% ⁽³⁾	0.05 points
Industrial Development in any zone other than RM or Commercial Zones	Street Yard	25% ⁽⁴⁾	0.05 points
	Remaining Yard	See Section 142.0405 (d)	0.05 points
<u>Large Retail Establishments in Commercial--Community and Commercial--Regional Zones</u>	<u>Street Yard</u>	<u>100% ⁽³⁾ of minimum building front and street side setbacks (except access points and with encroachments allowed into the</u>	<u>0.05 points, exclusive of palms</u>

Type of Development Proposal	Type of Yard	Planting Area Required (Percentage of total yard area unless otherwise noted below) ⁽¹⁾	Plant Points Required (Number of plant points required per square foot of total street yard or remaining yard area) or required trees ⁽¹⁾
		<u>landscaped area for building articulation elements as defined in Section 143.0355(a)(b))</u> <u>25% of the balance of street yard</u>	
	<u>Remaining Yard</u>	<u>30%</u> ⁽³⁾	<u>0.05 points</u>
<u>Large Retail Establishments in Industrial--Light Zones</u>	<u>Street Yard</u>	<u>25%</u> ⁽⁴⁾	<u>0.05 points, exclusive of palms</u>
	<u>Remaining Yard</u>	<u>30%</u>	<u>0.05 points</u>

Footnotes to Table 142-04C

[No change.]

§142.0405 Additional Yard Planting Area and Point Requirements

(a) and (b)

[No change.]

(c) Additional commercial yard and large retail establishment requirements:

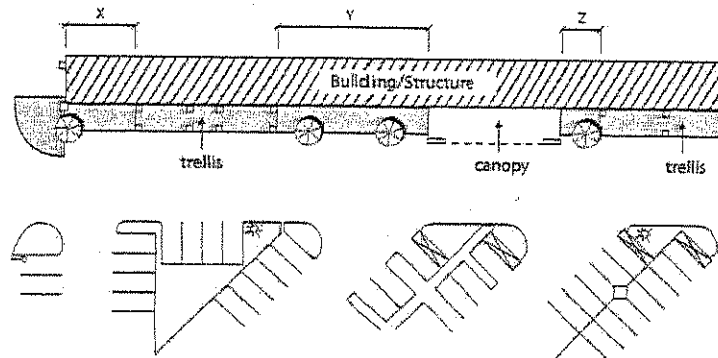
(1) through (3)

[No change.]

(4) Facade Planting Area for large retail establishments. Within the street yard, a facade planting area, as shown in Diagram 142-04A shall be provided between the vehicular use area and the street wall. This facade planting area shall be planted with a minimum of 20 points (trees only) at a linear rate of 30 feet of building street wall wherever trellises, arcades, awnings or extended covered entries do not occur which shall be a minimum of 30 percent of the length of the building street wall.

Diagram 142-04A

Facade Planting Area for Large Retail Establishments

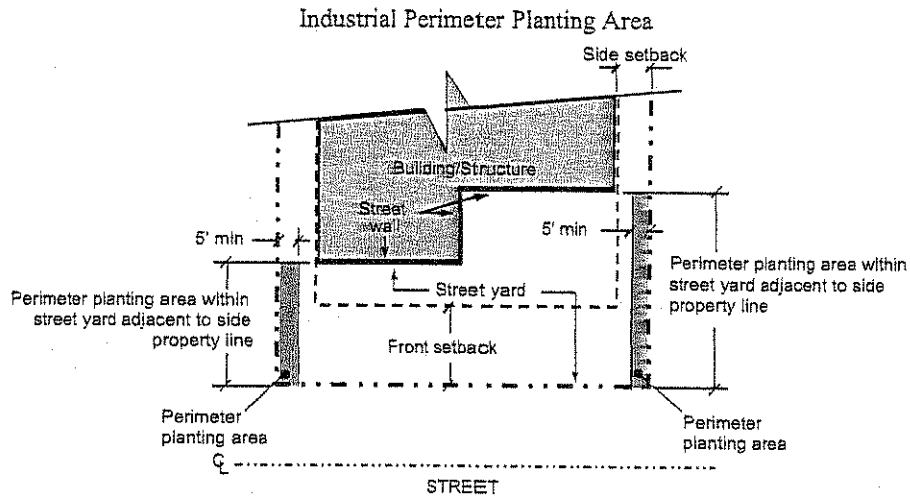


$$\frac{X+Y+Z}{30} \times 20 \text{ points} = \text{Required number of points (trees only)}$$

$X + Y + Z = \text{minimum of 30\% of the length of the building street wall}$

- (d) Additional industrial yard and large retail establishment requirements:
- (1) Perimeter Planting Area. Within the *street yard* for industrial zones or industrial *development*, a 5-foot-wide perimeter planting area adjacent to each side *property line*, as shown in Diagram 142-04A, shall be provided for the full depth of the *street yard* except where vehicular access (maximum 25 feet) and pedestrian access (maximum 6 feet) points cross perpendicular to a side *property line*. This planting area shall be planted with a combination of trees and shrubs that achieves 0.2 points per square foot of the required area. Where loading docks are placed along more than 25 percent of the *street wall* length in the IL and IH zones, the perimeter planting area points required shall be increased to 0.5 points per square foot of area.

Diagram 142-04A-B



- (2) Facade Planting Area. Within the *street yard*, a facade planting area, as shown in Diagram 142-04B, shall be provided that abuts the *street wall* and is at least equal to 50 percent of the length as determined by adding the lines connecting the outermost points of the structure along the street wall as shown in Diagram 142-04C, and that has a width of at least 9 feet measured perpendicularly to the building. This requirement shall not apply to large retail establishments.

Diagram 142-04BC

Industrial Facade Planting Areas

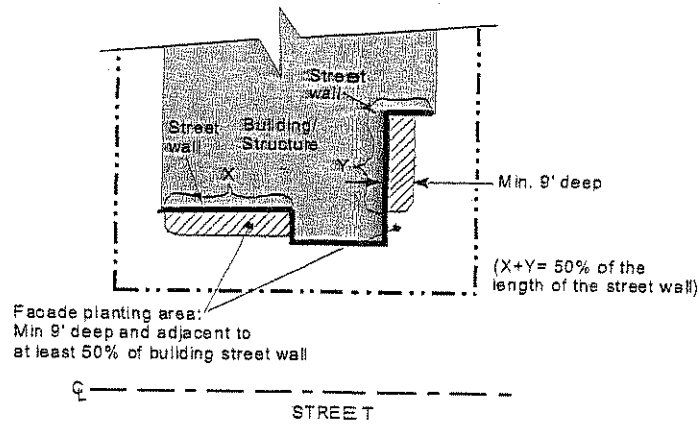
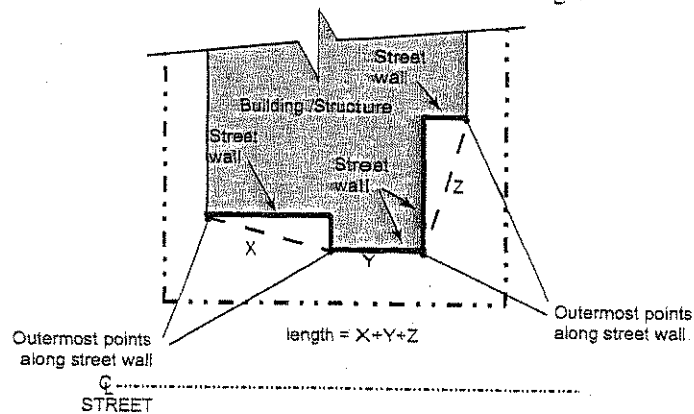


Diagram 142-04CD

Industrial Facade Area Street Wall Length



(A) and (B) [No change.]

(3) and (4) [No change.]

[No changes to remainder of section 142.0405(d)(2)]

§142.0406 Vehicular Use Area Planting Area and Point Requirements

(a) and (b) [No change.]

(c) A vehicular use area located within the *street yard* shall be separated from the curb in the *public right-of-way* by a required planting area totaling at

least 8 feet in width, measured perpendicularly to the *public right-of-way*.

This planting area shall meet the following requirements:

(1) and (2) [No change.]

(3) The width of this planting area may be reduced to 3 feet if a solid wall of at least 3 feet in height is provided for the entire length of the *vehicular use area* for sites under 5 acres. Sites that are between 5 and 10 acres are required to provide the planting area buffer that is 8 feet. For sites over 10 acres, a planting area buffer must be 12 feet in width with a potential reduction to 8 feet with a 3 feet high wall. The remaining planting area shall be located between the wall and curb within the *public right-of-way* and planted with the equivalent of 1 shrub for every 10 feet of wall length. These shrubs shall achieve at least 18 inches in height of maturity.

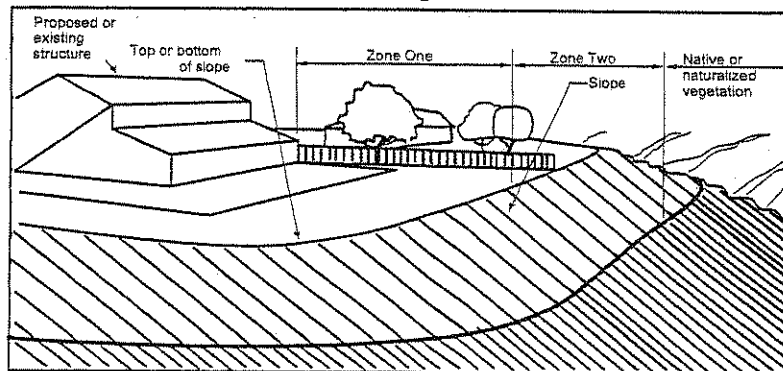
(4) [No change.]

§142.0412 Brush Management

(a) through (l) [No change.]

Diagram 142-04DE

Brush Management Zones



[No changes to remainder of section 142.0412]

§143.0302 When Supplemental Neighborhood Development Permit and Site Development Permit Regulations Apply

[No change to first paragraph.]

**Table 143-03A
Supplemental Neighborhood Development Permit or Site Development Permit
Regulations Applicability**

Type of Development Proposal	Applicable Sections	Required Development Permit/Decision Process
Affordable/In-Fill Housing Projects with Deviations through Clairemont Mesa Height Limit Overlay Zone [No change.]	[No change.]	[No change.]
<u>New construction of a Large Retail Establishment in CC Zones and planned districts, except in the Centre City Planned District, with a building size starting at 50,000 to 99,999 square feet</u>	<u>143.0303, 143.0305, 143.0355, 143.0375</u>	<u>NDP/Process Two</u>
<u>New construction of a Large Retail Establishment in CC Zones and planned districts, except in the Centre City Planned District, with a building size starting at 100,000 square feet. Buildings shall not exceed 150,000 square feet (excluding a contiguous unenclosed area such as a garden center)</u>	<u>143.0303, 143.0305, 143.0355, 143.0375</u>	<u>SDP/Process Four</u>
<u>New construction of a Large Retail Establishment in the Centre City Planned District with a building size starting at 100,000 square feet</u>	<u>143.0303, 143.0305, 143.0355, 143.0375</u>	<u>SDP/Process Four</u>
<u>New construction of a Large Retail Establishment in IL-2-1, IL-3-1 Zones with a building size starting at 50,000 square feet. Buildings shall not exceed 150,000 square feet (excluding a contiguous unenclosed area such as a garden center)</u>	<u>143.0303, 143.0305, 143.0355, 143.0375</u>	<u>NDP/Process Two</u>
<u>New construction of a Large Retail Establishment in CR Zones with a building size starting at 50,000 square feet</u>	<u>143.0303, 143.0305, 143.0355, 143.0375</u>	<u>NDP/Process Two</u>

§143.0355 Supplemental Neighborhood Development Permit and Site Development Permit Regulations for Large Retail Establishments

The following supplemental regulations apply to Neighborhood Development Permits and Site Development Permits for large retail establishments. The purpose of these regulations is to provide standards for the evaluation of large retail establishments in terms of design, bulk and scale. The intent of these

regulations is to preserve community character, create a more pedestrian scale environment, promote walkable communities, transit-oriented developments and diversity of uses per the adopted General Plan Strategic Framework Element and City of Villages strategy.

(a) Minimum Setbacks

- (1) Large retail establishments shall have a minimum front and street side setback of 8 feet. Architectural features as defined in Section 143.0355(b) are permitted to encroach a maximum of 4 feet into the required front and street side yards.

(b) Building Articulation

- (1) A large retail establishment shall incorporate architectural features from at least four of the following eight categories as components of the design theme:

- (A) Pilasters
- (B) Trellises
- (C) Awnings or extended covered entries
- (D) Arcades
- (E) Varied roof lines or roof cornices
- (F) A minimum of three material changes, such as glazing, tile, stone or varied pattern/texture shall be provided in street (facing) wall surfaces, where no one material shall cover less than 10 percent of the wall area or more than 60 percent of the wall area.

(G) A minimum of 25 percent of street wall area transparent with clear glass visible into a commercial use or a minimum of 25 percent of street wall area covered with display windows.

(H) Clerestory windows

(c) Pedestrian Paths

Pedestrian access and pathways shall be designed to provide an interconnected network for pedestrian travel between buildings within the same development. See Section 131.0550 for specific regulations.

(d) Design Incentives

(1) Large retail establishments may receive only one of the following two incentives over the maximum 150,000 square feet allowed (excluding a contiguous unenclosed area such as a garden center):

(A) An additional maximum of 10,000 square feet of gross floor area in the CC (Commercial--Community) zones, IL-2-1 (Industrial--Light), IL-3-1 (Industrial--Light), and planned districts if any one of the following design components is incorporated as part of the development:

(i) Structured or underground parking for at least 25 percent of the required parking for the entire building;

or

(ii) At least 5,000 square feet of indoor or outdoor public space area. The public space area shall be a lunch or

eating area, recreational area or similar public use and shall remain open during normal business hours; or

- (iii) Sustainable building measures in accordance with Council Policy 900-14, Private-Sector/Incentives for discretionary projects.

(B) An additional maximum of 20,000 square feet of gross floor area in the CC (Commercial--Community) zones, IL-2-1 (Industrial--Light), IL-3-1 (Industrial--Light), and planned districts if any one of the following design components is incorporated as part of the development:

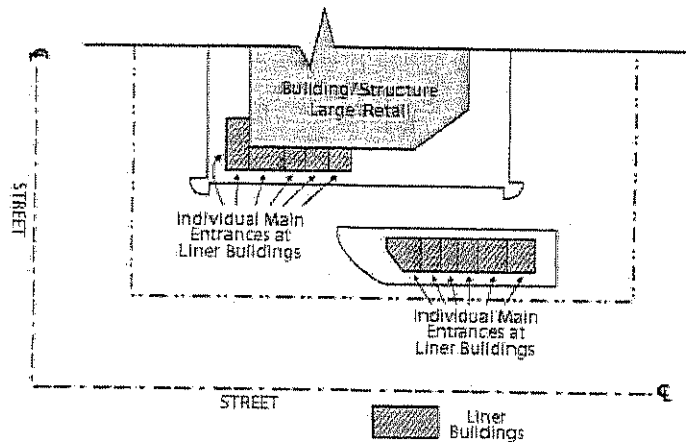
- (i) Structured or underground parking for at least 50 percent of the required parking for the entire building; or

- (ii) A minimum total of 5,000 square feet of liner buildings where these additional separately leased or owned buildings with separate individual main entrances are located facing the street frontage to help create a pedestrian scale environment. These liner buildings can be either detached from or attached to the large retail establishment within the same premises as shown in Diagram 143-03A; or

- (iii) Mixed-use development within the same premises as permitted by the applicable zone.

Diagram 143-03A

Liner Buildings



(e) Landscaping Requirements

See Sections 142.0404, 142.0405 and 142.0406.

(f) Expansion or Enlargement of Existing Structures

Existing structures to be expanded or enlarged to 50,000 square feet or greater shall not result in a building that exceeds 150,000 square feet (excluding a contiguous unenclosed area such as a garden center) except in the CR zones and Centre City Planned District and these existing structures to be expanded or enlarged shall comply with the following regulations in addition to applicable regulations found under Section 127.0103 (Review Process for Previously Conforming Premises and Uses).

- (1) The landscape requirements for previously conforming properties under Section 142.0410; and
- (2) Minimum setback requirements under Section 143.0355(a); and
- (3) Pedestrian path requirements under Section 143.0355(c).

§143.0410 General Development Regulations for Planned Development Permits

[No change to first paragraph.]

(a) [No change.]

(1) and (2) [No change.]

(3) A Planned Development Permit may not be used to request deviations from any of the following regulations:

(A) through (G) [No change.]

(H) Supplemental regulations identified under Section 143.0355

(Supplemental Neighborhood Development Permit and Site

Development Permit Regulations for Large Retail

Establishments).

§151.0253 Supplemental Development Regulations

[No change to first paragraph.]

Table 151-02F

Supplemental Development Regulations Applicability

Type of Development Proposal	Applicable Sections	Required Development Permit/Decision Process ⁽¹⁾
Residential and mixed commercial/residential development in facility deficient neighborhoods shown on Map B-4104 under circumstances outlined in Section 151.0253(a)	151.0243(a)	Site Development Permit/Process 3
Residential development in a commercial zone on El Cajon Boulevard or University Avenue that is not part of a mixed-use (commercial-residential) project under circumstances outlined in Section 151.0253(b)	Section 151.0253(b) and Land Development Code Sections 126.0603, 126.0604, 126.0605 and 143.0410	Planned Development Permit/Process 3
Commercial development that varies from the required architectural features contained in Section 151.0244	Section 151.0253(c) and Land Development Code Sections 126.0603, 126.0604, 126.0605 and 143.0410	Planned Development Permit/Process 3
Commercial and Industrial establishments exceeding 5,000 square feet gross floor area subject to the criteria contained in Section 151.0253	Section 151.0253(d) and Land Development Code Sections 126.0603, 126.0604, 126.0605 and 143.0410	Planned Development Permit/Process 3

New construction of a <i>Large Retail Establishment</i> with a building size starting at 50,000 to 99,999 square feet	<u>143.0303, 143.0305, 143.0355, 143.0375</u>	<u>Neighborhood Development Permit/Planned Development Permit/Process 3</u>
New construction of a <i>Large Retail Establishment</i> with a building size starting at 100,000 square feet. Building shall not exceed 150,000 square feet (excluding a contiguous unenclosed area such as a garden center)	<u>143.0303, 143.0305, 143.0355, 143.0375</u>	<u>Site Development Permit/Process 4</u>
Residential development that varies from the required architectural features contained in Section 151.0232	Section 151.0253(e) and Land Development Code Sections 126.0603, 126.0604, 126.0605 and 143.0410	Planned Development Permit/Process 3
Warehouses, Wholesale Distribution, and Light Manufacturing uses exceeding 10,000 square feet up to a maximum of 30,000 square feet, subject to the criteria contained in Section 151.0253(f)	Section 151.0253(f) and Land Development Code Sections 126.0603, 126.0604, 126.0605 and 143.0410	Planned Development Permit/Process 3

(a) [No change.]

MJL

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Matrix Comparison of all Recommendations Against Manager's Recommendation

Manager's Recommendation	Planning Commission	GPC	TAC	CMT	BID Council	SBAB	AIA	San Diego Council of Design Professionals	BIA	San Diego Regional Chamber of Commerce
No building size limit in areas designated for regional commercial uses	Same as manager's	Same as manager's	(a)	Same as manager's	Limit building size to 90,000 square feet only IF over 30,000 SKU and selling over 10% non-taxable items	Limit building size to 90,000 square feet only IF over 30,000 SKU and selling over 10% non-taxable items	Same as manager's	Limit building size to 75,000 square feet and limit number of SKU allowed in the establishment	Same as manager's	Same as manager's
Limit building size to 150,000 square feet except in CR and CCPDO	Limit building size to 250,000 square feet	No building size limit	(a)	No building size limit	Limit building size to 90,000 square feet only IF over 30,000 SKU and selling over 10% non-taxable items	Limit building size to 90,000 square feet only IF over 30,000 SKU and selling over 10% non-taxable items. In all other instances, follow manager's recommendation	No building size limit	Limit building size to 75,000 square feet and limit number of SKU allowed in the establishment	No building size limit	No building size limit
NDP (process 2) at 50,000 square feet (CC, CR, IL-2-1, IL-3-1, and planned	Same as manager's	Same as manager's	(a)	Construction permit (process 1) at 50,000	(a)	Same as manager's	Same as manager's	Same as manager's	NDP at 75,000 square feet	Same as manager's

Manager's Recommendation	Planning Commission	CPC	TAC	CMT	BID Council	SBAB	AIA	San Diego Council of Design Professionals	BIA	San Diego Regional Chamber of Commerce
districts)										
SDP (process 4) at 100,000 square feet (CC and planned districts)	Same as manager's	SDP at 75,000 square feet	Same as manager's	square feet Same as manager's	(a)	Same as manager's	Same as manager's	Same as manager's	Same as manager's	Same as manager's
Incentive-based requirements to allow additional maximum of 10,000 or 20,000 square feet beyond 150,000 square feet	Same as manager's plus five additional requirements to build structures greater than 150,000 square feet	No need for incentive-based requirements since no building size limit	Same as manager's	No need for incentive-based requirements since no building size limit	(a)	Same as manager's	No need for incentive-based requirements since no building size limit	Same as manager's	No need for incentive-based requirements since no building size limit	No need for incentive-based requirements since no building size limit
Additional design and landscape regulations	Same as manager's plus five additional requirements	Same as manager's	No additional regulations	Same as manager's	(a)	Same as manager's	Same as manager's	Same as manager's	Same as manager's	Same as manager's

(a) No specific recommendation regarding this item

CITY OF SAN DIEGO
M E M O R A N D U M

DATE: December 9, 2004

TO: Members of the Planning Commission

FROM: Coleen Clementson, General Plan Program Manager
Patsy Chow, Senior Planner

SUBJECT: Agenda of December 16, 2004 - Continued Item: Draft Ordinance Regulating Large Retail Development

REFERENCE: Planning Commission Report PC-04-138

BACKGROUND

On December 2, 2004, the Planning Commission considered a draft ordinance that would apply a building size limitation, discretionary review at specified thresholds, additional design and landscape regulations, and incentive-based requirements to large retail development in some areas of the City. More specifically, the Planning Department recommended ordinance proposes:

- (1) No building size limit in areas designated for Regional Commercial uses;
- (2) Limiting the size of large retail establishments to 150,000 square feet except in the CR (~~Commercial--Regional~~) zones and the Centre City Planned District Ordinance (CCPDO);
- (3) Establishing a Process 2 Neighborhood Development Permit (NDP) at 50,000 square feet of building size in the CC (~~Commercial--Community~~) zones, CR zones, IL-2-1 (~~Industrial--Light~~) zone, IL-3-1 (~~Industrial--Light~~) zone, and planned districts, except in the CCPDO;
- (4) Establishing a Process 4 Site Development Permit (SDP) at 100,000 square feet of building size in the CC zones and planned districts;
- (5) Including incentive-based requirements; and
- (6) Establishing additional design and landscape regulations in the CC zones, CR zones, IL-2-1 zone, IL-3-1 zone and planned districts.

As presented in the Planning Commission report, the City Council-adopted General Plan Strategic Framework Element directs new growth into mixed-use village opportunity areas accessible to transit. Additionally, the Strategic Framework Element promotes walkable communities and transit-oriented development in the City of San Diego. The subject ordinance could reduce inefficient use of land near transit for auto-oriented development that does not support adopted General Plan policies. Additionally, it would direct large retail development to be located in specified zones. This ordinance also intends to address community character and promote economic viability and diversity of uses within potential future village areas. Furthermore, the promotion and protection of mixed-use villages reinforce the Strategic

Framework policy to better integrate land use and transportation planning to help improve mobility in the city.

PLANNING COMMISSION MOTIONS

During the December 2, 2004 hearing, three separate motions were made with regard to the proposed ordinance. The motions are described below:

1) First motion was made to support the following items from the staff's recommendation:

- (1) No building size limit in areas designated for Regional Commercial uses;
- (2) Limit the size of large retail establishments to 150,000 square feet except in the CR (~~Commercial--Regional~~) zones and the Centre City Planned District Ordinance (CCPDO);
- (3) Establish a Process 2 Neighborhood Development Permit (NDP) at 50,000 square feet of building size in the CC (~~Commercial--Community~~) zones, CR zones, IL-2-1 (~~Industrial--Light~~) zone, IL-3-1 (~~Industrial--Light~~) zone, and planned districts, except in the CCPDO; and
- (4) Establish a Process 4 Site Development Permit (SDP) at 100,000 square feet of building size in the CC zones and planned districts.

PLUS

- (7) Require an economic impact analysis for 100,000 square feet and larger establishments.

It was decided that the design-related requirements would be dealt with under a separate motion.

(First motion failed - vote of 3-4)

2) Second motion was made to support the following items from the staff's recommendation:

- (3) Establish a Process 2 Neighborhood Development Permit (NDP) at 50,000 square feet of building size in the CC (~~Commercial--Community~~) zones, CR zones, IL-2-1 (~~Industrial--Light~~) zone, IL-3-1 (~~Industrial--Light~~) zone, and planned districts, except in the CCPDO;
- (4) Establish a Process 4 Site Development Permit (SDP) at 100,000 square feet of building size in the CC zones and planned districts; and
- (6) Establish additional design and landscape regulations in the CC zones, CR zones, IL-2-1 zone, IL-3-1 zone and planned districts.

PLUS

- (7) Require an economic impact analysis for 100,000 square feet and larger establishments;
- (8) Establish additional design requirements for 50,000 square feet and larger establishments (building massing and distinct masses at 50,000 square feet via offsetting planes and rooflines; parking in smaller bases with landscaping in

- between areas; major pedestrian linkages between buildings and public transit; 5,000 square feet of public plaza for every 50,000 square feet of building);
- (9) Incorporate as part of the ordinance and/or resolution the purpose and intent of the ordinance that is directly associated with the City of Villages strategy and Strategic Framework Element; and
 - (10) Convert incentives under staff's recommendation into standards or requirements that apply starting at the base line of 150,000 square feet of building size.

(Second motion carried - vote of 5-2)

3) Third motion was made to continue the item to December 16, 2004, and for staff to return with information reflecting design suggestions discussed on December 2, 2004.

(Third motion carried - unanimously)

PLANNING COMMISSION COMMENTS AND SUGGESTIONS

At the December 2, 2004 hearing, Planning Commission made four suggestions as part of the second motion. Each suggestion is addressed below in italics.

- (7) Require economic impact analysis for 100,000 square feet and larger establishments.

General Plan staff is currently working on the Economic Prosperity Element, which is one of the major action items under goal number 7 of the Strategic Framework Action Plan (Promote Economic Prosperity and Regionalism). The economic impact analysis is another action item under goal number 7 and it involves preparation of a format for a "community economic benefit assessment" report to be applied citywide for major development projects. This will require major development projects to be defined to include all types of projects (residential, commercial, and industrial), which could result in community and citywide economic and fiscal impacts.

- (8) Establish additional design requirements for 50,000 square feet and larger establishments.

Based on design-related comments and other suggestions made by the Planning Commission at the December 2nd hearing, staff has created Table 1 (see Attachment 1) to summarize these suggestions.

- (9) Incorporate as part of the ordinance and/or resolution the purpose and intent of this ordinance that is directly associated with the City of Villages strategy and Strategic Framework Element.

A purpose and intent statement can be incorporated in the ordinance and/or in the resolution. It could read as follows: "The purpose of these regulations is to

provide standards for the evaluation of large retail establishments that will address the design, bulk and scale of these establishments. The intent of these regulations is to preserve community character, create a more pedestrian scale environment, promote walkable communities, transit-oriented developments and diversity of uses within potential future village areas in the City of San Diego per the City Council adopted General Plan Strategic Framework Element and City of Villages strategy."

- (10) Converting incentives under staff's recommendation into standards or requirements that apply starting at the base line of 150,000 square feet of building size.

Based on design related comments and other suggestions made by the Planning Commission at the December 2nd hearing, staff has created Table 1 (see Attachment 1) to summarize these suggestions.

CONCLUSION

Based upon analysis of various proposals and numerous meetings with various interests groups during the past several months, the Planning Department continues to recommend the ordinance included in Planning Commission Report No. PC-04-138 (the contents of the ordinance are outlined in the background section of this memo).

The Planning Commission suggestions presented in this memo could be incorporated into an ordinance. Ultimately, the decision will be with the City Council and California Coastal Commission. Both the staff recommendation and the Planning Commission recommendation will be forwarded to the City Council for consideration.

Respectfully submitted,



Coleen Clementson
General Plan Program Manager



Patsy Chow
Senior Planner

CC/PC/je

Attachment: 1. Table 1 - Additional Requirements for Consideration

OTHER RECOMMENDATIONS

American Institute of Architects (AIA) San Diego

The AIA San Diego met on November 17, 2004 to discuss and make a recommendation concerning the large retail development ordinance being proposed by City staff. A summary of their recommendation is as follows: AIA San Diego supports City staff's draft ordinance for regulating large retail establishments with the exception of the requirement for buildings over 150,000 square feet to be located in regional commercial areas or the Centre City Planned District. AIA San Diego also recommends that the community plans be analyzed and updated to create a balance among neighborhood, community, and regional commercial centers throughout the city. Economic and transportation analyses shall be included as part of the analysis and update process.

San Diego County Building Industry Association (BIA) Metropolitan Legislative Committee

The BIA is prepared to support the City staff's draft ordinance for regulating large retail establishments with the following two modifications: 1) The requirement for a Neighborhood Development Permit should apply to stores 75,000 square feet in size or larger rather than 50,000 square feet; and 2) The maximum allowable size limit of 150,000 square feet should be removed. The BIA does not support the proposed cap on building sizes.

San Diego Council of Design Professionals

The San Diego Council of Design Professionals (Council) is in support of the proposed large retail development ordinance prepared by City staff with the following two modifications: 1) Large retail establishments should be limited to 75,000 square feet in size instead of 150,000 square feet; and 2) Recommend that the proposed ordinance limit the number of SKUs allowed in the establishment.

San Diego Regional Chamber of Commerce

The San Diego Regional Chamber of Commerce believes that the City's design review process adequately addresses community compatibility issues for any proposed project. The Chamber recognizes that large retail developments present unique design challenges that can be best addressed through the appropriate planning process. The Chamber does not believe that an outright prohibition against certain retail establishments based on size, products sold or mix of products is necessary or appropriate. For this reason the Chamber states the following position on the proposed large retail establishment ordinance:

- The Chamber does not support the outright prohibition of any large retail establishment and opposes any regulations that would effectively ban, or have the intent to ban, large retail developments.

Attachment 2

- The Chamber supports the concept of City staff's proposed ordinance to establish additional design guidelines for large retail establishments and additional discretionary review, but only if they are applied on a case-by-case basis to take into account an individual community's character.
- The Chamber opposes the additional requirements proposed by the Planning Commission as being confusing, difficult to administer, potentially discriminatory against certain types of businesses, and tantamount to a prohibition against large retail establishments.
- The Chamber does not believe that a one-size-fits-all design ordinance, establishing requirements for all proposed large retail establishments is workable considering the many disparate community plans and types of properties that might accommodate a large retail establishment. The Chamber believes that a "tool box" of design options should be provided to help guide the applicant, but each project should be considered in the context of the community in which it is proposed and on its own merits.
- The Chamber does not believe that an economic analysis on a project-by-project basis would provide useful information and would only serve to further politicize the planning process. CEQA Guidelines already provide that when social or economic effects of a proposed project cause a physical change, such change is to be regarded as a significant effect in the same manner as any other physical change resulting from the proposed project. The Chamber recommends that if the City believes an economic analysis is necessary that it be conducted on a city-wide basis and done as a part of the City's update of its general and community plans.

On February 24, 2005, the recommendation was adopted with 25 board members in favor, 5 opposed and 3 abstentions.

Fiscal and Economic Impacts Of Large Retail Establishments

Prepared By:

The City of San Diego
Community & Economic Development Department
August 2004

Introduction

The purpose of this study is to provide policymakers in San Diego with information about the fiscal and economic impacts of large retail establishments on the local economy and City treasury. Retailers have, over the years, constantly increased the physical size of their stores in order to achieve efficiency and better compete against each other. Like many cities throughout California, the City of San Diego is considering exercising its land use powers to limit the size and location of large retail establishments in order to preserve the character of individual communities within the City, and to ensure that the size and location of such stores does not negatively impact the City as a whole. This study is not intended to promote or disparage the retail sector generally, or to promote or disparage any particular retailers specifically. The names of certain retailers have been used throughout this report only as examples and to clarify the basis for assumptions used in this analysis, as is the case in all of the other studies on the subject which were consulted.

Due to severely constrained resources and timeframes, this study borrowed heavily from a number of other much more comprehensive studies prepared by private firms for other agencies and other jurisdictions. As such, we recognize its essential limitations as an academic work. Nevertheless, we have attempted to provide a fair, balanced, and objective evaluation of the impacts of large retail establishments, and have consulted a wide variety of sources. Accordingly, this study is more a survey of the available literature, and not a rigorous quantitative analysis designed to answer every "what if" scenario. We believe that the assumptions are reasonable and the analytical models used at least provide more information than was previously available, and certainly provide the basis for more meaningful discussions on this important subject.

Economic Fundamentals

In order for any community to become more economically prosperous some members of the community must engage in economic activities which bring wealth ("capital") into the geographical area which the community occupies. Even a "self-sufficient" agrarian society must import some tools or resources from areas and people outside that community. So generally speaking, the members of the community must produce some product or commodity such as food, energy resources, minerals and metals, manufactured products, etc. which is then either consumed locally, or sold or traded to others outside the community in order to import other goods. If members of a community don't produce enough goods locally to trade for goods produced by others, then they must provide services to those others which are equivalent in value. These services could range from hosting tourists to developing and licensing technologies and intellectual properties.

People in communities all over the world produce goods and provide services to each other which are "traded" primarily using some form of currency or cash equivalents as the medium of exchange. The economic sectors and industries (mining, manufacturing, agriculture, and tourism) which "earn" money (capital) by producing goods or providing

services to outside visitors make up what economists call the "economic base" of the local economy. These industries are the economic core or foundation for the local economy because they make it possible for the community to import those goods and services which cannot be produced or provided internally, or at least which cannot be produced or provided at a "comparative advantage" to those produced externally. The other economic sectors and industries are "layered" on top of this economic base in direct proportion to the size of the population and the size and relative strength of the economic base. These other sectors, the public sector, the service sector, the retail sector, and some part of the wholesale sector essentially "feed" off of the economic base which creates the wealth or import capacity. While these sectors provide essential and desirable services to the community members, they cannot grow or provide a level or service beyond the capacity of the economic base on which they are dependent.

Wholesale Trade

Wholesale trade typically occurs when large amounts of goods are imported into a community in bulk shipments. Wholesale trade is the economic activity which links the producers of goods, mainly manufacturers, with the ultimate sellers of goods, usually retailers. The wholesaler for the most part provides shipping and storage services to the manufacturers and retailers using trucks, fork-lifts, and warehouses. Wholesalers can be located anywhere between the manufacturers and the retailers. As such they could be more or less part of the economic base of the community which manufactures the goods or part of the community which consumes the goods (by providing a "service") to the manufacturer. In many instances the distinction is blurred because these "middle men" are cut out of the economic process as manufacturers and retailers perform the functions of a wholesaler when they can do so cost effectively.

Retail Trade

Retail trade is essentially a "service" function between the manufacturer or wholesaler and the ultimate consumer of goods. Retailers earn their profits by providing services to members of the community when they consume goods. As such, retailers are dependent for their livelihoods on the buying power of the consumers in the community which includes all members of that community. The buying power of the consumers is a function of their connection to the economic base of the importing community. Using just one example, the producers (factory workers) in the community earn money for their company by producing goods which are sold to another community. The "value-added" by the factory workers, minus profits retained by the factory owners, is converted to cash and distributed through the payroll to the workers. These workers in turn use this cash to purchase goods from the retailers. Obviously their purchasing power is limited not only by the prices charged by the retailers, but by the wages paid by the manufacturers. Any retailer larger than a "mom and pop shop" has workers (salesmen and salesladies) who provide the bulk of the retailer's services to the consumers. They get paid also, and in turn spend some portion of their wages at the establishments of other retailers, and so on. Accordingly the retailers are all directly or indirectly feeding off of the wealth of the economic base industries and are able to

prosper and grow only as fast as the economic base can grow. The retailers are thus competing among one another to obtain larger slices of the same economic "pie."

Therefore, while it is true that retailers contribute to the total measure of a community's economic size such as Gross Regional Product (GRP), it is also true that a community will have a retail sector or only as large as the income derived from the economic base. Sales revenues and jobs added by one retailer will, almost without exception, result in a commensurate loss of sales revenue and jobs at one or more other, competing retailers. There are some limited exceptions to this general rule, such as when retailers are able to increase, for instance the consumption of goods in lieu of services (selling a DVD to a consumer who would have otherwise gone to a theater, or selling a new flat screen TV to a consumer who would have otherwise gone on vacation), but for the most part competition between retailers within a community is a zero-sum gain for the community as a whole.

Retail Site Selection

Retail uses are established in a community based almost entirely on demographics – the specific characteristics of a region's population regarding income, age, density, etc. and the presence of existing competitors in the targeted "trade area." Since the retail outlet is the last stage of the economic process before consumption occurs, it is extremely difficult for the retailer to move out of (or not locate in) the trade area, much less the region as a whole. Despite the rise of internet sales where goods are purchased on-line and delivered to the consumer's doorstep, most retail sales still occur in retail stores. In fact the recent trends suggest that "large format" or "big box" retailers are able to effectively compete with smaller and non-traditional retailers based on price, selection, and overall value. These type retailers are increasingly constructing ever-larger "super-markets" and "super-centers" precisely into order to compete with smaller less value-oriented retailers. For the most part, San Diego retailers do not compete with retailers outside the City, and almost never compete with retailers outside the region.

Economic Development

All communities throughout history have engaged in some form of economic competition which is similar to the competition between private sector businesses. Certainly countries or "nations" compete with each other not only for land and resources but also for investment capital. Within large "free market" countries, states, districts, and provinces compete among themselves to get desirable investments which enable the community to increase the size of its economic base, and by extension, its import capacity. Even within states or provinces, communities represented by smaller jurisdictions such as cities, counties, towns, and townships (or groups of such jurisdictions called "regions") compete for investments that will result in new found wealth distributed through the creation of job opportunities and the associated payrolls. In most instances the investments are fixed capital investments such as mines, factories, research laboratories, tourist attractions, major corporate administrative

offices, government or military establishments, even prisons. This practice of competition for job-creating investments is the major focus of economic development.

At some level, residents or members of a community expect their government to, in some way, encourage economic development and the creation of jobs. Individually or collectively, community members will want economic opportunities and they will expect policymakers (i.e. elected officials) to at minimum, create a "business friendly environment" and in some cases actively "recruit" business establishments to come to their community or expand in their community rather than in some other community.

Fiscal and Economic Impact of Retail Establishments

It is a common misperception that economic development agencies seek to attract retail establishments to their community. Since retail establishments are not part of the economic base of the local economy there is little to be gained from attracting a new retail establishment knowing that a success here would come at the expense of existing retail establishments. Since there is no realistic expectation of a net increase in job opportunities (there could be a net decrease if the new retailer is highly mechanized and efficient) the attraction effort would be pointless unless some other benefit can be derived for the community. With some exceptions, the economic impact of a new retailer coming into the community is likely to be economically neutral.

In California, where a portion of the sales taxes collected by retailers is allocated "by situs" to the jurisdiction where the sale takes place, it is possible for one jurisdiction to gain additional tax revenue at the expense of a neighboring jurisdiction (city or county). This ability to increase tax revenue through economic development efforts does in fact result in a situation where some cities actively recruit retailers to their city, even though it is understood that there are few if any new job opportunities created, and no significant economic impact will result. Most of the competition for retailers occurs between small cities or between small cities and big cities. This occurs because a large retailer attracted to a small city may frequently have a "trade area" which overlaps the territory of one or more other cities, thus enabling it to capture the sales revenue from consumers in those other cities. Since the sales are frequently taxable, the city where the sales transactions take place gets 1% of the value of those sales in the form of new tax revenue. Large cities like San Diego however, can only play this game if they can get the retailer to locate near the edge of the city limits, so that more than half of the total value of the retailer's taxable sales transactions comes from consumers in a neighboring city. Since retail site selection is based almost entirely on demographics, cities have very little ability (even with zoning and other land use policies) to "site" a retailer in a place which is most fiscally advantageous. The larger the city, the less influence it has over retail site selection. (see Fiscal Impacts of Large retail Establishments below)

A Short History of Retail Strategies

Large format or "Big Box" retailers without question impose economic changes on a community. Those changes must be measured against the underlying assumption of a free market economy – that is, that competition is fundamentally good for the consumer. Competition presumably drives prices down and stimulates efficiencies and other improvements in product design, performance, and availability. Competition within the retail sector has led to ever increasing store sizes or "formats" as retailers seek to lower prices and increase product availability through greater efficiency. The evolution of larger and larger retail stores has clearly been a successful strategy as evidenced by Wal-Mart Stores, Inc. becoming the number one Fortune 500 company, supplanting industrial firms like GM and Exxon for the first time.

Consumers often support land use decisions allowing the construction of large retail establishments, despite their visual impact, traffic impacts, and other concerns, simply because the retailers using these formats have been able to drive down prices to historic lows (as measured in constant dollars), and consumers like low prices. The question which arises then, is whether the economic benefit of such retail establishments (lower prices for consumers) plus the convenience of having a "one-stop-shop" is outweighed by the economic costs imposed on the community.

Big Box retail stores are not a new phenomenon. Economies of scale were the primary feature in the growth of department stores in the early 20th Century. Free-standing Sears Roebuck & Co. stores and their early competitors like Woolworth Co. aggressively sought market share from traditional main-street "mom-and-pop" retailers, eventually eliminating many of them from the market permanently. Name brand hardware stores like Ace Hardware and later Home Depot, Home Base, and Lowe's have largely eliminated the small independent hardware stores. Most of the "corner" grocery stores have been eliminated by ever larger versions of Safeway, Vons, Lucky's, Albertsons, Ralphs and other "supermarkets." Other large format retailers have achieved greater efficiency and higher margins by specializing in a fairly narrow product line. These specialized retailers have gained at the expense of not only small independents, but also medium-sized chain stores, and even the large discount retailers like K-Mart, Wal-Mart, and Target. These so-called "Category Killers" like Toys R Us, Best Buy, and Fry's Electronics found a way to obtain efficiency by offering a limited range of related but discounted merchandise in large free-standing stores. Membership department stores like Gem-Co, Price Club (now Costco) and Sam's Club, again using large warehouse-sized free-standing buildings, offered substantial savings to consumers by offering a limited selection of food products and discount merchandise in bulk quantities.

In San Diego retailers can be sorted into three basic categories: (1) the remaining independent "mom-and-pop" retailers who still occupy the "main street" type commercial corridors and survive by catering to niche markets such as used merchandise, ethnic specialty merchandise, organic foods etc. (2) small and medium format chain stores, department stores, and supermarkets operating out of strip centers and regional shopping malls, and (3) large format retailers co-mingled in so-called "power centers".

Economic Impacts of Large Retail Establishments in San Diego

Given the aforementioned discussion, it can be argued that retailers of any size do not have a significant positive economic impact because they are dependent on consumer demand generated at the base level of the economy. The next step is to analyze the potential negative economic impacts which might result from the entrance of new retailers, especially those operating large format stores. Evaluating such impacts will necessitate taking a closer look at competition between the retailers operating within San Diego, the effect on older communities from changing land uses, and discerning future retail trends.

Urban planners have long decried the proliferation of large format retailers because of their presumed contribution to the decline of the City's downtown and the pedestrian-friendly "main street" corridors of University Avenue, El Cajon Boulevard, and many other older areas and smaller neighborhood-serving strip malls. Much of the shift away from main street retailers towards larger format retailers resulted from the mobility consumers gained from the widespread and increased availability of automobiles. As consumers gained the ability to haul home larger quantities of goods in any one shopping trip, the relative attractiveness of larger format retailers increased gradually over the last several decades.

At this point the small format independent retailers have established niche markets and compete among themselves. The real cutthroat competition now exists among and between the large corporate retailers who operate from fairly large malls, shopping centers, and power centers. These retailers are focused on efficiency and are constantly refining business practices to save money on labor costs, inventory costs, and other operating costs in order to be the low price leader. Some, like the supermarket chains, are unionized, most however are not.

Exporting Money through Profits

It is quite obvious that retailers have the power to reverse the flow of money coming into a community. If the owners of a retail store live in the local community some significant portion of the store's profits remain in the community as the owner spend these profit dollars consuming goods and services procured at other nearby business establishments. Profit dollars are thus "recycled" through the local economy several times before accumulating into a large financial institution. Some estimates indicate that such profit dollars would be recycled 4-7 times before leaving the community, resulting in consumptive economic benefits for quite a number of other local residents.

By contrast, if the retail store's owners live outside the community (e.g. outside San Diego) then the profits are almost immediately removed from the community and invested (mostly or entirely) somewhere else. Using the example of a large corporation, the profits are distributed as dividends to hundreds of thousands of shareholders almost all of whom live outside the City. So it follows logically that if a retailer has operations in San Diego which are highly profitable, and that retailer's owners (usually shareholders)

are located outside San Diego, then that retailer is exporting wealth out of the City. This is the exact opposite of the base sector manufacturer whose local payroll expenditures vastly exceed the amount of profit which is pulled out and distributed to the owners.

The Issue of Jobs and Benefits

Since job opportunities are the mechanism by which a significant part of a community's wealth or earning are obtained, the quality of the jobs, measured in terms of total compensation is a major factor in determining the economic impact of a particular project, business, or industry to the local community. Economic impact analyses are typically performed using an input-output model. These economic models are essentially sophisticated mathematical formulas combined with a community's particular economic profile (demographics, size and type of all industries etc.) The most common are the IMPLAN and REMI models used by government agencies throughout the U.S. Regardless of the input – output model used, the most important variables entered are the number of jobs in question and the amount of compensation associated with each.

Accordingly, if a low-wage retailer gains market share within a given community at the expense of a retailer which pays higher wages and/or offer better fringe benefits such as medical insurance, then a negative economic impact would result. The total amount of the economic impact would be calculated from the input variables such as shift in market share and wage/benefit differential. This economic impact is similar and related to the one described above because, if any business, including a retailer, is able to reduce labor costs without losing market share, then to some degree, profits will increase. So if a retailer is able to lower its labor costs and profits are distributed to owners outside the community, then less money is left behind to "recycle" through the local economy. Obviously this means less jobs at other businesses, less purchasing power, less importation and consumption of goods and services, less prosperity generally. However, if some portion of the labor cost savings is "left behind" in the hands of local consumers via lower prices for retail goods, then those savings would have to be accounted for (netted out) in the analysis. If the reduced labor costs are entirely returned (shifted) from workers to consumers then the result could be a zero-sum gain – i.e. no additional negative economic impact. Such a scenario is unlikely, since the goal of any private-sector business is to increase profits first and foremost, and reduced prices (consumer savings) is simply a means towards that end.

Since most non-union retailers pay roughly the same wages and offer the same fringe benefits (if any) it is difficult to generalize about the potential economic impact of one retailer versus another, at least insofar as labor compensation is concerned. The available evidence indicates that most retail employees are paid a wage between the California minimum wage rate of \$6.75/hour and about \$12/hour. The average wage for cashiers is approximately \$9.50/hour. Union-scale wages for cashiers are substantially higher, approximately \$15.30/hour and include a substantial fringe benefit package.

Supercenters – The Newest, Largest and Most Efficient Retail Format

The newest phenomenon in retail development is the "supercenter." This ultra-large format retail establishment is a combination discount general merchandise store and grocery supermarket. These large stores are highly efficient and are designed to compete effectively with smaller stores carrying the same merchandise. Supercenters always exceed 100,000 square feet in size, most are well over 150,000 square feet, and some have been constructed as large as 250,000 square feet. Supercenters are operated primarily by five major retailers: Fred Meyer, Kmart, Meijer, Target Corp. and Wal-Mart Stores, Inc. Wal-Mart is by far the largest operator of supercenters having constructed 1,258 throughout the country by 2002 (over 70% of the nation's approximately 1,750 supercenters). Table 1 below indicates the relative size and market strength of supercenter operators

Table 1

Company	Number of supercenters	Percentage of supercenters
Wal-Mart Stores, Inc.	1,258	72%
Meijer	160	9%
Fred Meyer	133	8%
Kmart	114	6%
Target	94	5%
Total	1,759	100%

Source: Marlon Boarnet, Ph.D., Randall Crane, Ph.D. Daniel Chatman, and Michael Manville, "Supercenters and the Transformation of the Bay Area Grocery Industry: Issues, Trends, and Impacts, (San Francisco: Public Economics Group, 2004) Commissioned by the Bay Area Economic Forum

As Table 1 indicates, Wal-Mart Stores, Inc. is by far the dominant player in the supercenter retail marketplace. K-mart has actually closed a number of its supercenters ("Super Kmart's") and does not appear to be willing or able to re-open these or construct new ones. Meijer and Fred Meyer do not operate in California and retail industry analysts do not believe they intend to penetrate the state in any significant way. Target, by contrast, is rapidly increasing the number "Super Targets" throughout the country. The average Super Target is 174,000 square feet. In addition, this year Target has just introduced a smaller type supercenter called P2004 (for prototype 2004) which ranges from 110,000 square feet to 125,000 square feet. P2004 supercenters will sell discount general merchandise and groceries, but unlike Super Targets will not have a deli, meat, or produce section. Sears has also indicated an interest in operating their own version of a supercenter which would combine a regular Sears store with a grocery component.

Some retail analysts believe that Target and Wal-Mart are not actually attempting to compete with the large grocery chains, but rather to compete with each other by using groceries as a "loss leader." By selling groceries at a loss, these retailers believe they can get more people into their stores where the grocery losses will be more than made up for by selling general merchandise at higher profit margins. Not surprisingly, the major grocery chain stores such as (in California) Safeway/Vons, Albertsons,

Kroger/Ralphs and their unionized employees recognize the ultra-efficient cheap labor supercenters as a major threat. The recent labor dispute (strike/lock-out) between the chain grocery stores and the United Food & Commercial Workers Union (UFCW) confirms analysts' expectations that the potential penetration of the California retail market by supercenters would result in downward pressure on wages and benefits in the grocery industry.

This study will attempt to quantify the potential benefits and costs which might result from the introduction of a supercenter into the City of San Diego. In recent years a number of studies have attempted to quantify the economic impact of supercenters (operated by either Wal-Mart or Target) in a number of California cities. Most have emphasized the negative impacts associated with the expected downward pressure on wages and benefits in the grocery industry and the public costs associated with mitigating urban blight (due to closed up smaller stores) and public health costs (due to increasing numbers of uninsured workers and their families). One study, funded by Wal-Mart Stores, Inc. and conducted by the Los Angeles Economic Development Corp. (LAEDC) focused not surprisingly, on the consumer benefits and theoretically derivative economic benefits to LA as a whole. This study will use the same methodology and assumptions as Gregory Freeman (LAEDC) to quantify potential benefits to San Diego, and the same methodology and assumptions used by Professors Boarnet and Crane to identify potential costs to San Diego. Since Wal-Mart is the dominant (and most controversial) supercenter operator, Professors Boarnet and Crane used Wal-Mart labor and commodity prices as inputs in their analytical model. We would assume that Target (or any other supercenter operator) would have nearly identical prices and labor compensation. Otherwise, adjustments were made for San Diego using sources deemed reliable by the City of San Diego, Community & Economic Development Department.

Potential Benefits of Large Retail Establishments ("Supercenters") to consumers in the County of San Diego

Table 2
Average Annual Expenditures on Food and Taxable Items at Food Stores
In the County of San Diego, 2000-2001

(1) Households in the County of San Diego	994,677
(2) Average Annual Expenditure on Food Eaten at Home (per household)	\$2,524
(3) Total Spent on Food Eaten at Home	\$2.5 billion
(4) Taxable Sales at Food Stores in the City of San Diego	\$390 million
(5) Total Spending	\$2.9 billion

Sources:

Gregory Freeman, "Wal-Mart Supercenters: What's in Store for Southern California" (Los Angeles: Los Angeles County Economic Development Corporation, 2004) Commissioned by Wal-Mart Stores, Inc.

State of California Board of Equalization/MBIA Muniservices Company, 2003 tax records

Table 2 above sets out the basic demographics for the County of San Diego and consumption patterns for County residents based on the assumption that residents of San Diego consume food products per capita identical to residents of Los Angeles. Line 1 x Line 2 = Line 3. Line 4 is from City sales tax records. The City of San Diego does not have access to sales tax data for the other smaller cities within San Diego County. Accordingly the actual figure would be somewhat higher. Line 3 + Line 4 = Line 5 (rounded)

Table 3 below assumes that supercenters would be able to capture 20% of market share from chain grocery stores. This estimate is accepted by virtually all retail analysts and the authors of supercenter (aka "big Box") studies done for California cities including Gregory Freeman at LAEDC. The 15% consumer savings figure is from the Freeman study and we presume supercenter price savings would be the same in San Diego. The other percentages are also from Freeman, and we again assume San Diego retail consumption and savings patterns would be similar to those assumed for Los Angeles. Freeman assumes that the introduction of supercenters will not only provide savings for supercenter customers, but also a proportionately smaller savings rate for the customers of the major grocery chain stores. This latter assumption regarding downward pressure on prices at the chain grocery stores is highly speculative in our view, but nevertheless illustrates a second potential benefit from supercenters.

The aggregate potential savings shown in the right hand column in Table 3 below are simply the result of multiplying total spending (\$2.9 billion from Line 5 in Table 2 above) times both the captured market share percentages and the corresponding savings percentages for each store type. \$2.9 billion (Line 5 above) x (a) x (b) = savings for each store type. Freeman (correctly in our view) states that the introduction of supercenters would not result in savings for consumers at the non-unionized independent grocers, convenience stores, and organic and "whole" food stores,

because these stores operate in niche markets which are essentially immune to downward price pressures. If Freeman's assumptions are valid, and the same analytical model is used, but with San Diego data substituted for Los Angeles data, then San Diego consumers could expect a savings of approximately \$87 million to \$275.5 million annually.

Table 3
Potential Aggregate Savings for Consumers Shopping at Food Stores
in the County of San Diego Based on 2000-2001 (Food Sales) and
Taxable Sales at Grocery Stores (2003) totaling \$2.9 billion

	Market Share	Savings Offered	Aggregate Potential Savings
Supercenters	(a) 20%	(b) 15%	\$87 million
Major Grocery Supermarket Chains	(a) 65%	(b) 10%	\$188.5 million
Non-Unionized Grocers	(a) 15%	(b) 0%	0
Total			\$275.5 million

Source: Table 1

Potential Costs of Large Retail Establishments ("Supercenters")
to Residents in the County of San Diego

However, such savings for San Diego consumers could easily be offset by losses imposed on existing and potential future San Diego grocery workers, among others. Most of the studies conducted by university professors on behalf of California cities, business groups, and taxpayer associations have focused almost exclusively on the expected downward pressure on retail wages and benefits which would almost certainly result from the introduction of supercenters. Professors Marlon Boarnet and Randall Crane performed exhaustive studies for both the Orange County Business Council and the [San Francisco] Bay Area Economic Forum. They were able to obtain fairly accurate information on wages and benefits in the retail sector for the San Francisco Bay Area. San Diego wage rates and benefits should be roughly the same or slightly less given the slightly lower cost of living in San Diego. The wage rates and benefit values in Table 4 below are taken directly from Boarnet and Crane's Bay Area supercenter study.

Table 4
Wage and Benefit Gap Analysis
UFCW Workers vs. Typical Supercenter (Wal-Mart) Associates

Type of Compensation	UFCW	Wal-Mart
Average Hourly Wage, all workers	\$15.30	\$9.60
Health Benefits – per hour equivalent	\$4.57	\$0.81
Pension Benefits – per hour equivalent	\$1.35	\$0.22
Premium Pay – per hour equivalent	\$0.77	\$0.48
Vacation – per hour equivalent	\$0.92	\$0.38
Sick Leave – per hour equivalent	\$0.73	\$0.46
Total Wages + Benefits – per hour equivalent	23.64	\$11.95
Difference	+\$11.68	

Source: Marlon Boarnet, Ph.D., Randall Crane, Ph.D. Daniel Chatman, and Michael Manville, "Supercenters and the Transformation of the Bay Area Grocery Industry: Issues, Trends, and Impacts, (San Francisco: Public Economics Group, 2004) Commissioned by the Bay Area Economic Forum

Boarnet and Crane et.al. assume gradually increasing wage gap closure and benefit reductions for UFCW workers based on the competitive strength of the low-wage supercenters and their ability to gradually force wages down as their market share increases. There is some disagreement among analysts about the speed of supercenter market penetration and the resultant speed and magnitude of wage gap closure, but virtual agreement that it will occur sooner or later. The settlement of the recent southern California labor dispute between the chain grocery stores and UFCW indicates that the potential competition from supercenters has already lead to a system for wage gap closure. The new UFCW contract, as predicted by Boarnet and Crane, provides for a two-tier system of compensation where existing workers are grouped in "Tier 1" and new hires into "Tier 2." Wages and benefits are substantially lower for Tier 2 workers, and promotions slower. As older Tier 1 workers retire or change jobs they will be replaced by Tier 2 employees who will get paid less and wait longer to qualify themselves and their dependents for health insurance.

The aggregate wage/benefit reductions shown in Table 5 below result from simply multiplying (UFCW workers) x (hours worked) x (weeks worked) x (wage/benefit gap) x (applicable percentage closure assumption) = reduced wages and benefits. Based on these assumptions, and the use of San Diego data, it becomes clear that most if not all of the savings (through lower prices) which might be realized by San Diego consumers would be offset by lost wages and reduced benefits to San Diego workers.

Table 5
Potential Economic Impact of Wage and Benefit Reductions
Due to Increased Market Share of Grocery Sales Captured by Supercenters

Supercenter Market Share, 2010	Wage Gap Closure	Reduced Wages and Benefits UFCW
10%	40%	\$110 million
	60%	\$165 million
20%	80%	\$221 million
	100%	\$276 million

Assumptions:

UFCW workers in San Diego: 13,000
Average work week: 35 hours
Weeks worked 52 weeks
Wage + Benefit Gap: \$11.68/hour

Sources:

Marlon Boarnet, Ph.D. and Randall Crane, Ph.D., "The Impact of Big Box Grocers on Southern California: Jobs, Wages, and Municipal Finances" (Irvine: Orange County Business Council, 1999) Commissioned by OCBC

Boarnet, Crane, Chatman, and Marville, 2004
Freeman, 2004

Additional Potential Costs of Large Retail Establishments ("Supercenters") to Residents in the City of San Diego

- **Urban Blight Resulting from Grocery and Other Store Closures**
- **Loss of Community Stability Resulting from Small Business Failures**
- **Redevelopment Costs Resulting from Revitalization Efforts**
- **Wealth Removal from San Diego through Profits Distributed to Corporate Shareholders**
- **Greater Income Stratification Due to Loss of Middle Income Jobs**

Fiscal Impacts of Large Retail Establishments

Retail Site Selection

Retail uses are established in a community based almost entirely on demographics – the specific characteristics of a region's population regarding income, age, density, etc. and the presence of existing competitors in the targeted "trade area." Since the retail

outlet is the last stage of the economic process before consumption occurs, it is extremely difficult for the retailer to move out of (or not locate in) the trade area, much less the region as a whole. Despite the rise of internet sales where goods are purchased on-line and delivered to the consumer's doorstep, most retail sales still occur in retail stores. In fact the recent trends suggest that "large format" or "big box" retailers are able to effectively compete with smaller and non-traditional retailers based on price, selection, and overall value. These type retailers are increasingly constructing ever-larger "super-markets" and "super-centers" precisely in order to compete with smaller less value-oriented retailers. For the most part, San Diego retailers do not compete with retailers outside the City, and almost never compete with retailers outside the region.

The Relationship of Tax Revenue to the Size of the Retailer

Larger retail establishments are able to provide some savings to the consumer through lower prices resulting from increased efficiency. A significant portion of these savings is likely to be spent at the same or other retailers such that taxable sales remain the same or may even drop slightly. The disposable income of a City's population is the primary determining factor in the amount of sales tax a City will receive. Since retailers are not a part of the economic base from which this disposable income is derived, they have little impact on taxable sales or tax revenues allocated to local cities. There is one important exception to this rule. The actual positioning of a retailer near a City limit line, and the reach of that retailer into the trade area which extends into another jurisdiction can influence sales tax receipts. While cities might like to "import" tax revenue from a neighboring jurisdiction by "positioning" a large format (aka "big box") retailer, or a series of such retailers along the inside of its city limits, the reality is that the demographics and the existence of competing retailers will have a much greater impact on the location decisions of these retailers than accommodative land use policies. Retail locations are likely to be geographically dispersed throughout residential areas without regard to political boundaries. As such, cities can do very little if anything that will significantly affect sales tax revenues from retailers. Smaller cities will have relatively more leverage, and larger cities relatively less.

San Diego's Situation

City staff evaluated existing land uses on both sides of the City Limits and concluded that large retail establishments were more likely to be sited by retailers in surrounding cities than within the City of San Diego. Consideration was given to the following factors: (1) presence of vacant land, (2) presence of obsolete structures (3) land use zoning and planning designations, and (4) the existence of adopted Redevelopment Project Areas and the historical use of these by local jurisdictions to "assemble" land for large retailers. While it is difficult to predict the potential locations of future super-centers or even large retail establishments generally, it is clear that the City of San Diego has relatively less ability to positively influence sales tax revenues by encouraging such retail establishments in locations which would "shift" tax revenues to San Diego. In conclusion, it appears that the City of San Diego has nothing to gain financially from the establishment of supercenters in San Diego County, and potentially

could be exposed to negative fiscal impacts from supercenters being sited just over the City limit line in another jurisdiction.

Key Findings of Studies on Large Retail Establishments

City staff has reviewed five studies which quantitatively evaluated the fiscal impacts of large retail establishments and none predict a potential fiscal benefit from such retailers. Conclusions range from "the net impacts on local sales tax revenues are far from certain" (Boarnet and Crane 1999) to "Further, if the new store is a big box retailer, retail sales as measured in dollars, retail tax revenues and retail employment within the trade area may actually decrease due to the efficiency and pricing of large store formats." (Rodino and Lopez) One study examined and quantified projected service costs associated with super-centers and several others have estimated the costs of publicly subsidized health care programs on which many retail employees are dependent. All of the studies noted, but were unable to quantify, costs associated with infrastructure and redevelopment expenditures undertaken by local governments to either attract new large retailers to vacant stores or mitigate the urban blight caused by the closure of smaller (now "obsolete") retail stores.

Public Health Costs

San Diego residents are likely to bear additional costs as well, because workers and their families would lose precious health insurance benefits. When workers and their families lose (or never get) health insurance the local public agencies and non-profit organizations usually end up picking up the tab. We find the figures below to be extremely conservative, and thus a "best case scenario." Uninsured employees and their uninsured family members would require an average of \$1,261 annually in public health care costs, most of which is likely to be borne by the County of San Diego.

Table 6 indicates that a minimum of \$2,376,985 of health care costs would be borne by publicly-funded agencies initially. As market share increases to 20% of that currently held by the major grocery chains, this number would increase to \$4,753,970. This is a low estimate that attempts to quantify the public costs associated with the conversion of major chain grocery store jobs into supercenter jobs. The projected major supercenter operators for California are Wal-Mart and Target. While there is less readily available information about Target's wage/benefit compensation, it is known that Wal-Mart actually covers only 48-50% of its employees, and that California retailers as a whole (including the major grocery chains) cover, on average only 61%. The major grocery chains currently cover 98% of their workers.

Lacking specific information about supercenter employees or Target employees specifically, we assume a maximum 55% coverage ratio (average of the first two two figures) for a San Diego supercenter. As stated above, the newest labor contract between the UFCW and major grocery chains divides workers into two groups or "tiers" within which Tier 1 (existing) workers receive substantially more in terms of wages and benefits than new hires which will receive compensation according to the Tier 2

schedule. This contract is up for re-negotiation in 2007, and the grocery stores are likely to press for reduced wages and benefits, especially in Tier 2.

The presence of highly efficient and competitive supercenters, is likely to further depress wages and health insurance benefits, resulting in substantially more persons receiving their health benefits at taxpayer's expense. In addition to causing a negative fiscal impact, the shifting of healthcare costs to the public is also another negative economic impact inasmuch as the healthcare costs formerly paid for by outsiders (owners of retail establishments such as Vons, Ralphs, Albertsons etc.) are now funded by local taxpayers, businesses, and ratepayers.

Table 6
Estimated Public Health Care Expenditures
Resulting From Market Penetration by Supercenters

Market Share	Coverage Ratio	Uninsured Employees	Uninsured Dependents	Total Uninsured Persons	Total Public Costs
10%	55%	585	1,300	1,885	\$2,376,985
20%	55%	1,170	2,600	3,770	\$4,753,970

Sources: Arindrajit Dube, PhD, and Alex Lantsberg, "Wage and Health Benefit Restructuring in California's Grocery Industry: Public Costs and Policy Implications" (Berkeley, UC Berkeley Center for Labor Research and Education, 2004)

Arindrajit Dube, PhD, and Ken Jacobs, "Hidden Cost of Wal-Mart Jobs: Use of Safety Net Programs by Wal-Mart Workers in California" (Berkeley, UC Berkeley Center for Labor Research and Education, 2004)

Conclusion

Economic Impact

Aside from improving the overall attractiveness of a community to visitors or investors, the addition of new retail establishments will rarely have a positive economic impact on a community. Since they are not part of the economic base which brings money into the local economy, they are dependent on that economic base and the consumer demand generated at the base level. While obviously providing an important service to consumers wishing to purchase goods such as general merchandise and groceries, retailers charge for that service, not unlike service sector businesses and public sector agencies. When retailers earn a profit, that profit might be "recycled" back into the local economy through additional spending, or that profit might be distributed to owners who live elsewhere. The profitability and ownership of a retailer are important inputs which could be used to determine if a particular retailer will have a greater or lesser negative economic impact on the local economy. Unless the retailer brings with it a significant wholesale component, it is highly unlikely that it will increase economic prosperity as a whole. The extent to which a retailer is willing or able to offer goods to local consumers

at relatively lower prices contributes to a less negative economic impact, because the retailer is providing a better value overall. Similarly, the extent to which a retailer pays higher wages and provides better fringe benefits (or does the opposite) also has a significant bearing on the overall economic impact to the community as a whole.

There are other economic and sociological considerations related to retailers which are difficult or impossible to quantify. Included among these would be the benefit associated with having a stable and growing middle class. As income distribution becomes more skewed to favor the top income earners the more social instability results. Social instability resulting in greater public safety costs, higher taxes, lower property values, urban blight, and capital flight. It is hard to overstate the importance of protecting and preserving good-paying, benefited, middle-income jobs and creating similar future job opportunities. A recent survey by the San Diego Regional Chamber of Commerce revealed some very disturbing trends which have emerged in recent years. Consider these statistics:

Out of 70,810 Jobs created between 1999-2002

- **42,320 (60%) pay less than \$30,000/annually**
- **Slowest employment growth occurred in middle income jobs (\$30,000-\$55,000/annually) only 2% growth during this 4-year period**

Kelly Cunningham, the Research Manager for the Chamber's Economic Research Bureau provided this dire warning:

"We are creating some high end jobs and a lot of low-wage jobs, but the middle class is getting squeezed out. We run the risk of becoming like Santa Barbara, with a stratum of wealthy people and workers on the lower end who serve them"

Source: San Diego Union Tribune - April 15, 2004

Fiscal Impact

In large cities like San Diego, the addition of new retailers will rarely have a positive fiscal impact. Unless a new retailer locates near the City limit line, and also has a very large trade area which overlaps the territory of another city, any local sales tax revenues derived are likely to be merely shifted from other pre-existing retailers within the City. The vast majority of tax revenues are generated directly or indirectly from businesses such as manufacturers which are part of the economic base, not from retailers which merely re-direct that wealth. Retailers do not generate sales tax in any meaningful sense of that term. They merely collect the taxes as a function of their role in the transaction process. Sales tax revenues are directly proportional to the size, nature, and overall health of the City's economic base. An increase in the size or number or type of retailers is highly unlikely to increase or decrease local tax revenue to any measurable degree. If a new retailer's market penetration results in the replacement of jobs having health benefits with jobs which do not provide health benefits, it is likely that public revenues will be diverted from more traditional government responsibilities like public safety and parks towards public health and social programs. Thus, if a retailer does not provide health insurance for substantially all of its employees, or otherwise

shifts traditional business operating costs onto the public sector, it is most likely to have a negative fiscal impact as compared to an employer which absorbs these costs within its profit margin.

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Summary of CEQA Determinations in Other Jurisdictions

Staff contacted six jurisdictions that have passed ordinances regulating large retail establishments to determine what type of environmental review was used. Five of the jurisdictions determined the ordinances to be exempt from environmental review and one jurisdiction performed a negative declaration. Wal-Mart sued two of the jurisdictions, Alameda County and City of Turlock for CEQA violation, among other issues. Alameda County chose to repeal its ordinance and submit it to the Planning Commission for review, re-adoption is likely. In December of 2004, a Stanislaus County Superior Court judge upheld the City of Turlock's ordinance and all of the CEQA exemptions used except for 15061(b)(3).

Alameda County's ordinance employs a size cap and a limit on the percentage of sales floor area dedicated to non-taxable goods. The County used General Rule 15061(b)(3) to exempt the ordinance from CEQA.

Turlock's ordinance prohibits large-scale retail business stores that exceed 100,000 square feet of gross floor area from devoting more than 5% of that floor area to the sale of non-taxable (food/grocery) merchandise. The City used CEQA Guidelines Sections 15378, 15168(2), 15183, 15061(b)(3), and 15305 to exempt the ordinance.

Contra Costa County's ordinance prohibited retail businesses that exceeded 90,000 square feet from devoting more than 5% of floor area to non-taxable items. The County used exemptions 15305 for minor alterations in land use limitations. The ordinance was repealed in a referendum in March of 2004.

City of Los Angeles' ordinance was approved on August 19, 2004. The ordinance became effective in October of 2004. Los Angeles has different CEQA guidelines from other California jurisdictions and in this case a categorical exemption was applied.

Santa Maria's ordinance, passed in 1997, prohibits commercial uses exceeding ninety thousand (90,000) square feet of gross floor area, from devoting more than 8% of the total gross floor area to non-taxable merchandise. The City filed a negative declaration for the ordinance.

The City of Oakland's ordinance prohibits retail stores over 100,000 square feet and from using more than 10% of their sales floor area for non-taxable items in some zones. Our information indicates that General Rule 15061 was used to exempt the ordinance from CEQA process.

DRAFT SKU Ordinance Proposal

Ordinance Number XXX

**AN ORDINANCE OF THE COUNCIL OF THE CITY OF SAN DIEGO
AMENDING CHAPTER 13 BY AMENDING ARTICLE 1, DIVISION 5, AND BY
AMENDING ARTICLE 1, DIVISION 5, AND BY AMENDING CHAPTER 14 BY
AMENDING ARTICLE 1, DIVISION 5, RELATING TO THE LAND
DEVELOPMENT CODE**

WHEREAS, the City Council finds that development in San Diego of the sort of "superstores" built in other areas of the nation would undermine the existing plans for encouraging small businesses and encouraging pedestrian-oriented development; and

WHEREAS, grocery sales generate more vehicle trips than any other kind of retail use, yet the existing Land Development Code allows such facilities to be built on an unlimited scale, thereby threatening to cause traffic congestion; and,

WHEREAS, the City already has a significant number of retail vacancies, so to allow massive new superstores is likely to cause the deterioration or abandonment of existing stores, especially neighborhood-oriented stores; and,

WHEREAS, the lack of sales tax revenues from grocery sales leaves the City with no assurances that superstore development would generate sufficient City revenues to offset the negative impacts of such stores on the surrounding community; and,

WHEREAS, adoption of the proposed code amendment would not have a significant affect on the environment, as action on the regulatory amendment is categorically exempt from CEQA pursuant to State Guidelines Section 15061(b); now therefore,

BE IT ORDAINED by the Council of the City of San Diego as follows:

Section 1. That Chapter 14, Article 1, Division 5, of the San Diego Municipal Code is amended by adding Section 141.0505, to read as follows:

DRAFT

Sec. 141.0505 Food, Beverage, and Groceries

Food, Beverages and Groceries are permitted as a limited use in the zones indicted with an "L" in the Use Regulation Tables in Chapter 13, Article 1 (Base Zones), subject to the following limitations:

- (a) No Food, Beverage, or Groceries facility shall be established or enlarged if such facility would contain more than 90,000 square feet and more than 30,000 Stockkeeping Units (SKU) and more than 10 (ten) percent of its gross sales revenues would come from non-taxable items.
- (b) The owner of a Food, Beverage, or Groceries facility containing more than 90,000 square feet and 30,000 SKU's approved on or after October 15, 2002 shall annually file a report with the City specifying the percent of gross sales from non-taxable merchandise during the previous year.

Section 2. That Chapter 13, Article 1 (Base Zones) be amended by amending the Use Regulations Table thereof to redesignated Food, Beverage, or Groceries as a limited use ("L") instead of a permitted use ("P").

Section 3. Should any provisions or application of this Ordinance be invalidated by a court of law, it shall be severed and have no impact on the remainder of the ordinance. In the event of any legal challenge to this ordinance the courts are hereby authorized to reform the terms of this Ordinance, including, if necessary, substituting "groceries" for "non-taxable items" in Section 1. To the extent any provisions or application of this Ordinance are deemed inconsistent with any prior provisions of the Code, the latter are hereby amended to eliminate such inconsistencies, and to such end the courts shall have the power to reform the prior provisions.

Section 4. That a full reading of this Ordinance is dispensed with prior to its final passage, a written or printed copy having been available to the City Council and the public a day prior to its final passage.

Section 5. This Ordinance shall take effect and in force on the thirteenth day from and after its passage.



THE CITY OF SAN DIEGO

REPORT TO THE PLANNING COMMISSION

DATE ISSUED: April 2, 2004

REPORT NO. PC-04-014

ATTENTION: Planning Commission
Agenda of April 8, 2004

SUBJECT: Draft Ordinance Regulating Large Retail Development

REFERENCE: Manager's Report 03-151; Manager's Report 01-126;
Manager's Report 00-205; Planning Commission Report P-96-180;
Planning Commission Report P-96-080

SUMMARY

Issue – Should the Planning Commission recommend to the City Council adoption of an ordinance which would apply size limitations, landscape regulations, and a discretionary review process with additional design regulations to large single-tenant retail development?

Planning Department Recommendation – Adopt the staff-recommended ordinance which limits the size of single-tenant retail establishments to 150,000 square feet except in the Commercial Regional (CR) zone and the Centre City Planned District Ordinance (PDO); and establishes landscape regulations and a process 4 Conditional Use Permit with additional design regulations in the other applicable commercial zones.

Land Use and Housing (LU&H) Committee Recommendation – On July 23, 2003, LU&H directed staff to evaluate an ordinance proposal distributed at the meeting (SKU Ordinance) and to draft an ordinance regulating large retail development that includes design standards and economic/fiscal impacts.

Community Planning Group Recommendation - On February 24, 2004, the Community Planners Committee (CPC) voted 18-1-0 to deny a draft ordinance which, at the time, contained a size limit of 100,000 square feet.

Land Development Code (LDC) Monitoring Team Recommendation – On December 10, 2003, the LDC Monitoring Team recommended denial of the following options presented at the meeting:



1) An option which included the current staff recommendation plus a requirement for multi-story buildings, structured parking and discretionary review for stores between 100,000 and 130,000 square feet in size; 2) Option 1 plus a maximum of ten percent of the sales area devoted to non-taxable items; and 3) the SKU proposal. The LDC Monitoring Team provided general recommendations regarding the design standards which have been incorporated into the staff recommended ordinance.

Environmental Impact – The staff recommended ordinance is exempt from CEQA per Section 15061(b)(3) of the State CEQA guidelines.

Fiscal Impact - See Attachment 8 of this report for detailed analysis of the fiscal impact of regulating and limiting large retail establishments in the City of San Diego prepared by the Community and Economic Development Department.

Code Enforcement Impact – The staff recommended ordinance would result in an ongoing code enforcement impact to monitor building expansions. The SKU ordinance proposal would also result in a cumulative impact to Code Enforcement staff as additional stores are approved to determine compliance with the maximum Storekeeping Units (SKU) requirements contained in the proposal. A portion of this impact could be cost recoverable.

BACKGROUND

Manager's Report 03-151, dated July 16, 2003 (see Attachment 7), summarizes the prior actions by the Planning Commission, LU&H Committee, and City Council over the last several years with regard to regulating large retail development. The previous report discussed large retail establishment development trends, General Plan policies, and provided three potential options to be considered in an ordinance. On July 23, 2003, the LU&H Committee directed staff to analyze an ordinance proposal distributed at the meeting (the SKU ordinance proposal), develop an ordinance that included design standards for construction of single-tenant retail establishments over 50,000 square feet and a requirement for fiscal and economic impact analysis for stores over 75,000 square feet. (The item is tentatively scheduled to return to the LU&H Committee on March 24, 2004.)

The final LU&H Committee recommendation regarding the economic and fiscal impact component will be considered separately because it is a part of a larger Strategic Framework Action item to prepare a format for a "community impact report" to be applied citywide for "major development projects". This will require that "major development projects" be defined to include all types of projects from residential to commercial and industrial which could result in community and citywide economic and fiscal effects. As indicated in Attachment 1, jurisdictions that have adopted or are considering economic assessment as a means of mitigating the impacts of large scale development include the states of Maryland and Vermont; Lake Placid, New York; and Bozeman, Montana.

DISCUSSION

The following discussion provides a summary of the potential impacts of large scale retail development relating to economic and fiscal effects, community character, design, and mobility based on the discussion in the previous report, Manager's Report 03-151, and new information in

the form of reports which have been released in the last six months. For purposes of the discussion, the term "big box" and large-single tenant retail establishment are used interchangeably. A summary of the policies contained in the City of San Diego General Plan, regulations considered or adopted in other jurisdictions, analysis of the previously distributed report and description of the staff recommended ordinance are included.

Summary of the Potential Impacts of Large Retail Establishments

Potential Economic and Fiscal Impacts

Physical blight can result from the failure of smaller retail stores which cannot compete with large scale retailing. Big boxes containing a grocery component or supercenters can contribute to the closure of anchor tenants comprising mainly grocery stores in existing shopping centers which cannot compete in the market. This can contribute to a high commercial vacancy rate for grocery stores and surrounding small businesses typically found in a community commercial center. The ensuing reduction in the value of the affected property and other surrounding properties could create blight. In addition, if a big box store contains a grocery component, it will tend to locate on its own parcel because smaller retail uses do not benefit from locating in proximity to the superstore.

Often, supercenters, or big box stores containing a grocery component, can result in the replacement of middle-income jobs typically associated with grocery employment with fewer lower wage jobs which lack benefits including comprehensive health care, thereby lowering the overall wage levels in a community. This can result in a lack of economic vitality in an area.

Big box development tends to be an inefficient use of land which favors large vacant parcels in outlying areas thereby potentially creating disinvestment in urban core areas.

Big box development can have beneficial effects on low income communities if they locate in a community that has a shortage of retailers to meet their needs.

Big boxes compete with other businesses for a fixed amount of sales determined by consumer spending in a community. A portion of any new tax revenues generated by a new large scale retail development simply reflects a shift in sales from existing businesses in the community. Therefore, the stores do not necessarily provide a net fiscal benefit. A more detailed analysis is provided by the Community and Economic Development Department's memorandum contained in Attachment 8.

A map which indicates where big boxes could potentially locate in the future, based on current land use plans, both inside and outside of the city's jurisdictional boundaries, is provided in Attachment 2. While the map indicates likely sites in the City of San Diego are not on the periphery of the city, some recent evidence suggests that some big box users will consider a wider variety of locations beyond what is allowed under current land use plans in the future. There are potential future sites outside the city's jurisdictional boundaries which could capture a portion of the city's sales tax revenue.

Community Character Impacts

Big boxes are often out of scale with existing development due to their sheer size. They are usually -architecturally uniform and sites are not designed to be pedestrian oriented, thereby creating a homogeneous landscape. This can weaken a sense of place and community cohesiveness. The effectiveness of design standards tends to diminish with increased store size. Design standards alone cannot address the visual and functional impacts of the largest of these stores.

Mobility Impacts

Large retail establishments tend to draw their customers from an expanded radius beyond the draw of the average retail business. The result can be localized congestion on streets that provide access. Due to various factors such as surrounding land uses, urban form, the length of trips and shopping loads, customers are more likely to use the automobile to travel to a big box store compared to the mode split of traditional community shopping centers which may be more conducive to trips by transit, walking, or bicycling.

Staff has reviewed published data and studies related to the trip generation of big box retailers, supercenters, and shopping centers, and found them to be unsuitable as the basis to draw specific conclusions about the comparative trip characteristics for these uses in San Diego. This is due to the fact that the studies do not comprehensively measure and assess the various factors that affect the trip generation and trip characteristics for these uses. These factors include size, capture areas, available market share, surrounding land use and urban form, retail business and stocking practices, and personal shopping practices. In light of the above, the information available was found to be inconclusive for the purposes of generally comparing the traffic impacts of these uses.

Summary of General Plan Policies

The Commercial Element of the General Plan states as its goal: "To develop an integrated system of commercial facilities that effectively meet the needs of San Diego residents and visitors as well as assuring that each new development does not impede the economic vitality of other existing commercial areas". Specifically, one of the guidelines asks "does the development intrude upon the market area of other commercial activities?"

As part of the General Plan update, the Strategic Framework Element provides a strategy for guiding future development. In general, the element's focus is to direct new commercial and residential growth into a series of unique "villages" integrated into San Diego's existing communities. By focusing on sensitive redevelopment of underutilized sites with a combination of residential, commercial, employment, and civic uses, neighborhood revitalization will occur. Although the Element does not directly address big box development, there are several policies that do not support auto-oriented large scale development. Villages will be linked citywide by an excellent transit service integrated into the regional transit system. Villages should also be designed to be pedestrian scale, and convenient by foot, bicycle, and transit, as well as by car.

The Economic Prosperity section of the Strategic Framework Element recommends that retention of local businesses and attraction of new businesses that diversify the economic base

and offer high quality employment opportunities should be encouraged. These businesses also account for a majority of the local wealth creation, and, directly or indirectly, most of the tax revenues that pay for public investments and services. This section also contains policies to preserve land uses which generate middle-income employment.

Summary of Large Retail Establishment Regulations in other Jurisdictions

Over the past decade, jurisdictions throughout the country have adopted measures that control several aspects of large single tenant retail establishments including impact assessment, size, design, sale of nontaxable items, and releasing of vacated sites. Until recently, jurisdictions adopting these ordinances were typically small towns. However, these ordinances are beginning to be considered and adopted in larger cities.

Attachment 1 lists jurisdictions with various types of ordinance regulations. The most widespread type of regulation nationwide is a prohibition of stores over a certain size for example Cococino County in Arizona and Santa Fe, New Mexico. Several cities in California such as the City of Oakland, Contra Costa County, the City of Martinez have adopted similar ordinances banning supercenters. These ordinances contain a size limitation, a maximum percentage of sales floor area devoted to nontaxable items (5 to 10%), and an exclusion for membership wholesale clubs. The City of Los Angeles is the largest and most recent city to consider this type of ordinance. Last month, the Contra Costa County Ordinance was referended and failed at the ballot.

Staff has been unable to locate any examples of ordinances that reference the number of SKUs that a store stocks as proposed in the SKU ordinance. SKU is an acronym for stock keeping units, the series of numbers which a store uses to identify a product. When considering a ban on non-taxable items, to date most communities have utilized a percentage of building floor area to implement this objective.

In many of the ordinances, the size cap is linked to a lower size threshold for design regulations. The design regulations generally focus on pedestrian amenities, streetscape and incorporation of mixed use development. Jurisdictions that have adopted design guidelines include the cities of Portland, Oregon, Fort Collins, Colorado, and Somerset County, New Jersey. Design regulations have been applied to wide range of building sizes, some starting as low as 15,000 square feet. In some cases a mitigation fee is offered as an alternative to following the adopted design requirements.

The SKU Ordinance Proposal

Staff has conducted an analysis of the draft ordinance distributed at the LU&H Committee on July 23, 2003 contained in Attachment 4. This ordinance proposes to add a new category to the separately regulated retail sales use category of the LDC tables entitled "single tenant retail establishments greater than 130,000 square feet". This use would be permitted as a limited use where the underlying zone allows the use. Single tenant retail establishments greater than 130,000 square feet would not be permitted when revenue from non-taxable items exceeds 10 percent of gross sales revenue and the store stocks more than 30,000 SKUs.

Since the retailer would have to meet all three of the criteria to be affected by the proposal, the actual result would be a limitation of high-volume general merchandizing stores greater than 130,000 square feet which sell non-taxable grocery items only. Although there are many types of stores which are over 130,000 square feet, as indicated in Attachment 6, currently only Walmart supercenters and larger prototypes of K-Mart or Target stores would be specifically prohibited due to the non-taxable item restriction and the 30,000 SKU cap.

As stated above, the use of SKU's has not been utilized elsewhere due to code enforcement issues related to accurate reporting of data and the ability of staff to review and audit this type of data. If an ordinance which utilized SKUs were considered, provisions would have to be added to facilitate future enforcement. The provisions would require annual submission of SKU data to the City of San Diego and a deposit with the City to cover the cost of an independent audit should one be necessary as determined by the Code Enforcement Department.

These ordinance provisions specifically address impacts to grocery stores typically located in community shopping centers in close proximity of the residential neighborhoods in the City of San Diego. In many communities, these commercial centers are the dominant form of retail development and may also provide redevelopment potential for mixed use villages in the future. In centers where the anchor tenant grocery store would close as a result of increased competition, the supporting small businesses typically found in community shopping centers would also experience higher vacancy rates and potential blight.

Supercenters or big boxes with a grocery component would result in more "one-stop shopping" opportunities which could concentrate consumer traffic to fewer locations. The resulting land use pattern could create impacts which are not consistent with the adopted Strategic Framework Plan strategy of providing city-wide revitalization through the development of a series of neighborhood and community villages. The development of villages rather than larger but fewer shopping areas provide a greater opportunity for accessible retail opportunities within walking or transit distance to residents thereby supporting the adopted regional transit plan. Due to the regional nature of large scale retail development, longer automobile trips would be necessary to acquire everyday consumer goods.

This ordinance specifically addresses the lowering of wage rates in a community due to the gap in wages and differences in benefits between unionized grocery workers and supercenter employees. While not directly a land use issue, the replacement of middle-income jobs with lower wage jobs would be contrary to General Plan policies which encourage high quality employment opportunities in the city.

This ordinance does not fully address community character associated with large retail establishments. Since the size maximum of 130,000 square feet only applies to a limited number of stores, community character impacts could still occur even if design standards could be added to this ordinance similar to those provided in the staff recommended ordinance.

In addition, staff reviewed available data and studies on the trip generation of big box stores and found them to be inconclusive with regard to the potential traffic impacts of supercenters compared to free standing discount stores that do not contain a grocery component.

Staff Recommended Ordinance

Ordinance Description

The staff recommended ordinance, contained in Attachment 3, is designed to integrate with the existing structure of the code and enable streamlined implementation. A new definition is added to Chapter 11 of the LDC:

- *Large single tenant retail establishment* is defined as one retail establishment greater than 75,000 square feet, or adjacent retail establishments that combined is greater than 75,000 square feet of *gross floor area* and share common check stands, a controlling interest, storage areas, warehouses or distribution facilities.

Large single tenant retail establishments are added to the separately regulated retail sales use category of the LDC use tables and would be allowed as a Process 4 Conditional Use in all of the community commercial and most of the industrial zones. Large single tenant retail establishments are a permitted use in the Commercial Regional zones. Further ordinance provisions limit the size of large single tenant retail establishments to 150,000 sq. ft., outside of the Commercial Regional zones. Chapter 10 of the Land Development Code is amended to apply these provisions to all of the Planned Districts. The Centre City Planned District Ordinance is specifically exempted.

The proposed ordinance would also apply increased landscaping for these uses by adding single tenant retail establishments as a new category in the landscaping regulations table. In commercial zones, large single tenant retail establishments would be required to provide 100 % planting in a minimum eight-foot streetyard setback and façade planting nine feet in width along 50 percent of the street wall. The façade landscape regulations already apply in the industrial zones.

The establishment of a Process 4 Conditional Use Permit at 75,000 sq. ft most likely would not require major grocery stores to undergo discretionary review and would permit staff to obtain site specific traffic studies for a wider range of projects. The design regulations include a minimum of three materials changes on all street-facing walls, a minimum 8-foot street front and side setback, interconnected pedestrian pathways, and consideration given to multistory buildings and underground or structured parking. In addition, a menu of architectural features is provided which addresses transparency (in accordance with existing code language defining transparency), and a variety of other design features. The design regulations do not apply in the CR or industrial zones since the regulations already established in the CR and industrial zones are appropriate to the type of development which would occur in those zones given their location relative to surrounding uses.

This ordinance would not preclude all future big box developments in the City of San Diego. The previous staff recommendation to the CPC set the size limit at 100,000 square feet. At the CPC meeting of February 24, 2004, discussion focused on not limiting the establishment of large single tenant retail uses in a community. Based on their input, staff revised its recommendation to provide a discretionary review process and increase the size limit from a maximum of 100,000 square feet to a maximum of 150,000 square feet. This would permit big boxes at a higher range

of square footage such as home improvement stores which have difficulty operating in smaller stores due to the nature of the merchandise that they offer.

Also recognizing the desire for residents to have access to the goods provided in a large retail establishment, the proposed ordinance does not preclude retrofitting existing buildings for use as large retail establishments if there are no proposed expansions to over 150,000 square feet and the use is permitted in the underlying zone.

Permitted Locations for Large Single Tenant Retail Establishments

A single tenant retail establishment greater than 150,000 square feet is permitted without limitations in the CR zone. The CR zone is a new zone established by the LDC which has not yet been applied to all appropriate properties. A rezone to CR would most likely be appropriate on properties designated for Regional Commercial land uses in the community plan. These areas currently include Fashion Valley Shopping Center, Mission Valley Shopping Center, University Towne Center, Torrey Highlands, College Grove Center, the large commercial area in Carmel Mountain Ranch, and La Jolla Village Square as indicated in Attachment 5. There are other areas within the community plans with implementing planned district ordinances which contain text language encouraging regional commercial uses in specific locations. Although these areas may not always require Community Plan Amendments (CPA) in order to develop as large-scale retail establishments, under the current proposal, a rezone would be required. In other areas of the city, large retailers wanting to locate within the city have the option of obtaining a CPA for a Regional Commercial Use designation and a rezone to CR. Analysis and findings associated with the Process 5 CPA and RZ would have to be adopted by the City Council.

The Centre City Planned District is another area where big boxes could potentially locate and where limitations are not proposed. Since downtown is the center of the entire region with regard to employment, residential, civic/institutional, and commercial uses, regionally-oriented uses would be encouraged. The Centre City PDO would require large retail establishments only in combination with other uses, underground parking, minimum building heights of approximately 40 to 50 feet, and other design amenities to ensure an urban character.

Analysis of Staff Recommended Ordinance

This approach is recommended because the Strategic Framework Element directs new growth into village areas accessible to transit. This ordinance would reduce the possibility of inefficient use of underutilized infill sites for suburban, automobile-oriented development which does not support adopted General Plan policies. Because big boxes compete with other businesses for a larger share of a fixed market, it could hinder the market for new retail development in village areas thereby hindering the economic viability of future potential "villages". Therefore, this proposal has the potential to realize benefits to community character and economic viability for both potential future "villages" and existing community shopping centers since competition with community-serving mixed-use and pedestrian-friendly villages would be reduced.

The protection of mixed-use villages reinforces the Strategic Framework policy to integrate land use and transportation planning as part of a strategy to improve mobility. If big boxes proliferate within the City of San Diego, support for the regional transit system could be lessened since

automobile usage increases with this large scale development relative to traditional community shopping centers.

Both the previously described SKU ordinance proposal and the staff recommended ordinance would protect existing commercial uses from market intrusion as recommended in the Commercial Element of the General Plan. However, the staff recommended ordinance would protect both grocers and provide direct protection to other local retailers selling only taxable items. The staff recommended ordinance (without the non-taxable limitation) may still preclude the development of supercenters since these are currently typically established at sizes greater than 160,000 square feet. However, there is some recent evidence which suggests these are being established at a lower size threshold. Therefore, the proposed ordinance would implement General Plan policies regarding the maintenance of a diverse economic base encouraging uses which generate middle-income jobs and protection to local businesses which have been key contributors to San Diego's local economy.

Alternatives were considered which would only permit big boxes in urbanized areas seeking revitalization or where communities may be underserved by commercial development. However, to the extent that big boxes would then locate in these areas particularly if they were limited in other areas, village development offering community revitalization could be hindered both within these communities and in less urbanized areas surrounding them. Negative community character and mobility impacts would also accrue to these areas.

The staff recommended ordinance goes further to mitigate the design impacts of large scale retailing to existing neighborhoods. Although design standards could be added to the SKU ordinance proposal, it would still allow very large retail stores not containing a grocery component the community character impact of which are difficult to mitigate. Options presented to the LDC Monitoring Team included requirements for multi-story buildings and structured parking in urbanized areas for stores over 100,000 square feet. Due to the varied character of individual communities the requirement for large two-story structures and structured parking may increase the visual effect of massing in certain communities. The LDC Monitoring Team did not support these design standards due to possible unintended design impacts and cost considerations.

Neither the staff recommended ordinance or the SKU ordinance proposal would preclude the development of large retail centers or "power centers" containing two or more "category killers" (stores under 100,000 square feet which sell only one category of goods) unless they contain a store over 150,000 square feet. The design impacts of smaller stores are slightly fewer due to the sheer size and scale of a big box in comparison. In addition, there is a possibility that these centers could later redevelop to become more village-like in character and function.


CONCLUSION

As San Diego has transformed from a growing city to a mature urban environment, the Strategic Framework Element, adopted by the City Council in 2002, responded by providing a new direction for the city's growth and development. The City of Villages strategy leverages new growth into community amenities in the form of villages while preserving single-family and open space areas of the City. It contains policies which link land use and transit resulting in a more compact and efficient development pattern where new growth will occur as sensitive infill

development. To date, no other land development trend has the same potential to inhibit or deter the community-oriented village development as envisioned in the plan as extensive big-box retail development could.

The staff recommended ordinance supports the retention and strengthening of all local retail and neighborhood-serving commercial uses which are essential to village development. The SKU ordinance, by specifically protecting anchor tenant grocery and supporting uses, also addresses some economic impacts of large scale retailers and resultant land use impacts which have the ability to undermine the City of Villages Strategy. However, it's narrower scope does not fully address the community character impacts since, even with the addition of design regulations, stores over 150,000 sq. ft. would be permitted. The General Plan would support adoption of the staff recommended ordinance which contains more stringent limitations on large retail establishments required to mitigate their negative impacts.

Respectfully submitted,


Jean Cameron
Senior Planner


Coleen Clementson
Program Manager

CLEMENTSON/JEC

- Attachments:
1. Summary of Jurisdictions with Regulating Ordinances - Table
 2. Existing and Potential Big Box Locations - Map
 3. Draft Ordinance: 0-2004-105 (Citywide)
 4. Draft SKU Ordinance Proposal
 5. Existing Regional Commercial Land Use Designations - Map
 6. Store Size Survey - Table
 7. Manager's Report 03-151 (without attachments)
 8. Analysis of Fiscal and Economic Impacts

**Community Planners Committee (CPC) Subcommittee
Large Retail Development Ordinance
Summary of Meetings**

The CPC Subcommittee on Large Retail Development met on two consecutive evenings, September 13th and 14th of 2004. The purpose of these meetings was to review the staff recommended Large Retail Development Ordinance and to formulate a recommendation for CPC consideration at their meeting on September 28th, 2004.

Staff presented the components of the draft ordinance in a matrix by comparing proposed regulations against current regulations. The actual draft ordinance was also distributed and available for review. Generally, staff's recommendation included the following requirements:

1. A 150,000 square-foot building size limit for large retail establishments in the CC (Commercial--Community) zones, IL-2-1 (Industrial--Light), IL-3-1 (Industrial--Light), and planned districts;
2. A requirement for discretionary review (Site Development Permit-Process 4) for large retail buildings 100,000 square feet or greater in the CC zones and planned districts;
3. Additional design regulations for all large retail buildings over 50,000 square feet relating to: pedestrian paths, building articulation, building setbacks, and landscaping; and
4. Building square-footage bonuses for large retail building developments that incorporate: a public plaza, structured parking or subterranean parking, liner buildings, mixed-use development, or sustainable building measures.

The committee members discussed the proposed requirements and heard testimony from interested parties (Alan Ziegaus representing Wal-Mart, John Ziebarth representing himself, Art Castanares and Alex Benjamin representing the Joint Labor and Management Committee, Matt Peterson representing Costco).

Patrick Stewart made a motion, seconded by Jeff Frederick as follows:

- Approve staff's recommendation with two modifications: 1) eliminate the 150,000 square-foot building size limit and 2) establish discretionary review at 75,000 square feet instead of 100,000 square feet in the CC zones and planned districts.

Vote: 6-1 in favor of the motion.

Subcommittee members attending September 13th meeting: Lee Campbell (Tierrasanta), Jeff Frederick (Rancho Bernardo), Guy Preuss (Skyline-Paradise Hills), Abhay Sharma (La Jolla), Patrick Stewart (Torrey Pines)

Subcommittee members attending September 14th meeting: All of the above plus Carole Caffey (Golden Hill), Allan Frostrom (Kensington-Talmadge)

cac: 9/14/04

CITY OF SAN DIEGO
MEMORANDUM

DATE: September 21, 2004

TO: Community Planners Committee (CPC)

FROM: Patsy Chow, Senior Planner

SUBJECT: LARGE RETAIL DEVELOPMENT ORDINANCE

In the coming months, the Planning Commission and City Council will consider an ordinance that would regulate large retail development. At this time, Planning Department staff is seeking CPC's input and a recommendation on the proposed ordinance. Your recommendation will be provided to the Planning Commission and City Council as part of the staff report.

BACKGROUND

On July 23rd, 2003, the City Council's Land Use and Housing Committee directed Planning Department staff to develop an ordinance that would regulate large retail development. Since that time, Planning staff has met with various stakeholders, received input from CPC, Code Monitoring Team (CMT), Technical Advisory Committee (TAC), and held a series of public workshops with the Planning Commission (see Attachment 1-Timeline Overview).

At the last CPC meeting of July 27th, 2004, several requests were made for more information associated with this subject. In order to address each one of these items, staff has summarized further below these requests along with a response from staff. In addition, a Large Retail CPC Subcommittee was formed at the request of CPC Chairman Dave Potter to review and discuss in more detail the staff's recommended proposed revised ordinance. A summary of the two subcommittee meetings held on September 13th and 14th, 2004 is included as Attachment 2.

Staff has also obtained recommendations from TAC and CMT by attending their meetings on August 11th and September 8th, 2004. In general, CMT recommended the following: no building size limitation; design requirements should be applicable in the Commercial-Community (CC) zones, Commercial-Regional (CR) zones, Light Industrial (IL-3-1 and IL-2-1) zones, and Centre City Planned District if building is over 50,000 square feet; apply Site Development Permit Process 4 for large retail establishments over 100,000 square feet in the CC zones; support staff's recommendation regarding building articulation, landscaping and design incentives. TAC recommended the following: if regulations are added to the code, they should be incentive-based; incentives can include mixed-use development, liner buildings, use of sustainable building measures, and

additional building square footage with provision of structured or underground parking; apply Site Development Permit Process 4 at a threshold of 100,000 square feet in the CC zones; recommend rejection of re-leasing requirements (examples: declaration of public nuisance after 12 months vacancy and securing a bond for demolition in case of 12 months vacancy).

DISCUSSION

1- Request for a copy of John Ziebarth's proposal

Response: Since the July 27th, 2004 CPC meeting, staff has met on several occasions with Mr. Ziebarth to discuss his recommendations and compare them against staff's recommendations. Staff has been able to address Mr. Ziebarth's concerns with the exception of removing the building size limit of 150,000 square feet in the CC (Commercial--Community) zones, Light Industrial (IL-3-1 and IL-2-1) and planned districts. Therefore, in the interest of time and to simplify matters, Mr. Ziebarth has decided to not provide copies of his previous proposal (see letter from Mr. Ziebarth included as Attachment 3). However, staff is still providing information about specific differences that previously existed between Mr. Ziebarth's proposal and previous staff's recommendation (please see the matrix referenced under item 5 of this memorandum).

2- Request for Economic and Fiscal Impact Analyses of Large Retail Establishments

Response: Staff from Community and Economic Development Department has previously prepared fiscal and economic impact analyses that were presented at previous Planning Commission hearing and workshops on the subject of large retail development. These analyses have been updated by staff to consider recently released studies concerning large retail and are included under Attachment 4 per CPC's request.

3- What are the sizes of different retail establishments out there?

Response: Please see below for a partial listing of some large retail establishments and grocery stores in San Diego.

- Home Depot at Imperial Marketplace - 107,920 square feet (sq. ft.) with 23,920 sq. ft. garden center*
- Mervyn's at Sports Arena - 93,590 sq. ft.*
- Ralph's in Downtown San Diego - 43,000 sq. ft.*
- Costco in Mission Valley - 147,000 sq. ft.*
- IKEA at Fenton Marketplace - 190,522 sq. ft.*
- Lowe's at Fenton Marketplace - 142,000 sq. ft.*
- WalMart at College Grove - 131,000 sq. ft.*
- Target at College Grove - 120,000 sq. ft.*
- Food-4-Less at Market Creek Plaza - 59,000 sq. ft.*

- Home Depot at Genesee Plaza - 98,961 sq. ft. with 23,304 sq. ft. garden center

Data obtained from contacting the following corporations or visiting their websites:

Home Depot ranges from 45,000 to over 100,000 sq. ft.

Costco ranges from 120,000 to 160,000 sq. ft.

Target average size is 122,280 sq. ft.

Lowe's prototype store is 116,000 sq. ft.

Vons ranges from 65,000 to 75,000 sq. ft.

Ralphs prototype store is 58,000 sq. ft.

WalMart: Neighborhood Market ranges from 42,000 to 55,000 sq. ft.

Discount Store ranges from 40,000 to 125,000 sq. ft.

Supercenter ranges from 100,000 to 220,000 sq. ft.

Sam's Club ranges from 110,000 to 130,000 sq. ft.

4- Pictures of large retail, plazas and examples of offsetting planes

Response: Staff will be presenting, as part of a PowerPoint presentation, several pictures of large retail establishments as well as examples of public plazas and offsetting planes.

5- Matrix that identifies previous staff's recommendation presented at the Planning Commission hearing of April 8th, 2004, John Ziebarth's proposal, large retail advocates' recommendations, and the SKU Ordinance.

Response: This matrix was originally requested at the Planning Commission workshop held on May 20th, 2004. This matrix is included as Attachment 5.

STAFF'S RECOMMENDATION

The staff recommended ordinance is included as Attachment 6 and is also outlined in a matrix format that compares current code regulations with proposed new regulations under staff's recommendation (see Attachment 7). A summary of the staff's recommendation is as follows:

- 150,000 square-foot building size limit for large retail establishments in the CC (Commercial-Community) zones, IL-2-1 (Industrial--Light), IL-3-1 (Industrial--Light), and planned districts;
- 100,000 square-foot threshold for discretionary review in the CC zones and planned districts;
- 50,000 square-foot threshold for applicability of additional design regulations (architectural elements, building setbacks, pedestrian paths, landscaping); and

- Incentives: building square-footage bonuses for large retail developments that incorporate a public plaza, structured parking or subterranean parking, liner buildings, mixed-use development, or sustainable building measures.

Planning staff is not recommending a "re-leasing requirement" to be included as part of the ordinance; this particular issue was discussed at the May 20th, 2004 Planning Commission workshop on large retail establishments. While such a requirement may be reasonable in some locations, staff does not believe it is relevant in San Diego due to high land costs and rents.

CONCLUSION

Based on input and requests from CPC at the July 27th, 2004 meeting, staff has prepared a list of request items that have been addressed in the discussion section of this memorandum. Furthermore, staff's recommended revised draft ordinance addresses Mr. Ziebarth and other stakeholders' concerns, incorporates TAC and CMT's recommendations with the exception of removing the building size limitation of 150,000 square feet in the CC zones, IL-3-1 and IL-2-1 zones, and planned districts. The revised ordinance was presented at the CPC Subcommittee Large Retail Development meetings on September 13th and 14th, 2004 for review and discussion by the subcommittee members. At the September 14th meeting a motion passed 6-1 to approve staff's recommendation with two modifications: 1) eliminate the 150,000 square-foot building size limit and 2) establish discretionary review at 75,000 square feet instead of 100,000 square feet in the CC zones and planned districts.

The Planning Commission and City Council will consider the Large Retail Development Ordinance in the coming months and the CPC recommendation on the ordinance will be included in the staff report. Planning staff understands that this is a very complex issue and appreciates the time CPC has spent reviewing all of the information provided to prepare a recommendation on this complex subject.

Respectfully submitted,



Patsy Chow
Senior Planner



Coleen Clementson
Program Manager

CC/PC

- Attachments:
1. Timeline Overview
 2. CPC Subcommittee on Large Retail Development Ordinance (Summary of Meetings)

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Community Planners Committee
September 21, 2004

3. Letter from Mr. John Ziebarth dated September 21st, 2004
4. Fiscal and Economic Impacts of Large Retail Establishments
5. Matrix Comparison of Different Proposals
6. Revised Draft Ordinance Large Retail Development
7. Comparison Between Current and Proposed Regulations



THE CITY OF SAN DIEGO

REPORT TO THE PLANNING COMMISSION

DATE ISSUED: November 19, 2004 REPORT NO. PC-04-138

ATTENTION: Planning Commission
Agenda of December 2, 2004

SUBJECT: Draft Ordinance Regulating Large Retail Development

REFERENCE: Planning Commission Memorandum dated May 7, 2004;
Planning Commission Report PC-04-014;
Manager's Report 03-151; Manager's Report 01-126;
Manager's Report 00-205; Planning Commission Report P-96-180;
Planning Commission Report P-96-080.

SUMMARY

Issue - Should the Planning Commission recommend to the City Council adoption of an ordinance that would apply a building size limitation, discretionary review at specified thresholds, additional design and landscape regulations, and incentive-based requirements to large retail development in some areas of the City?

Planning Department Recommendation - Adopt the staff-recommended ordinance (see Attachment 1), which would:

- Limit the size of large retail establishments to 150,000 square feet except in the CR (Commercial-Regional) zones and the Centre City Planned District Ordinance (CCPDO);
- Establish a Process 2 Neighborhood Development Permit (NDP) at 50,000 square feet of building size in the CC (Commercial-Community) zones, CR zones, IL-2-1 (Industrial-Light) zone, IL-3-1 (Industrial-Light) zone, and planned districts, except in the CCPDO;
- Establish a Process 4 Site Development Permit (SDP) at 100,000 square feet of building size in the CC zones and planned districts;
- Include incentive-based requirements; and
- Establish additional design and landscape regulations in the CC zones, CR zones, IL-2-1 zone, IL-3-1 zone and planned districts.

Land Use and Housing (LU&H) Committee Recommendation - On July 23, 2003, LU&H directed staff to evaluate an ordinance proposal distributed at the meeting (SKU Ordinance) and to draft an ordinance regulating large retail development that includes design standards.



Community Planner's Committee (CPC) Recommendation – On September 28, 2004, CPC voted 21-2-0 (one recusal) to support staff's recommendation presented to CPC with modifications as follows:

- Eliminate the 150,000 square feet building size limitation;
- Establish discretionary review (SDP Process 4) at 75,000 square feet instead of 100,000 square feet recommended by staff in the CC zones and planned districts;
- Require a discretionary review (NDP Process 2) instead of Process 1 recommended by staff at 50,000 square feet of building size.

Three separate motions failed regarding re-leasing. More specifically, the first motion was to have staff return at a later date with a staff report on re-leasing issues; it failed with a vote of 1-17-2. The second motion was to have City Council recognize CPC's concerns about vacant buildings creating blight, public nuisance and contributing to lack of services; it failed with a vote of 10-12-1. The final motion stated that a re-leasing requirement, not involving demolition, should be added to the ordinance to require the vacating leaseholder to actively pursue re-leasing of the property and to prohibit leases from tying up vacant properties; it failed with a vote of 5-16-1.

Technical Advisory Committee (TAC) – On September 8, 2004, TAC made a series of motions summarized as follows:

- Maintain current regulations as they are without adding further regulations (vote of 5-0-2);
- Recommend an incentive-based approach so that if new regulations are added, they should be incentive-based (vote of 6-0-1);
- Require traffic analysis for a change in retail user for buildings over 100,000 square feet in size (vote of 5-0-2);
- Support 100,000 square feet threshold for discretionary review via an SDP Process 4 (vote of 5-0-2); and
- Deny any form of re-leasing requirements in the City (vote of 5-0-2).

Land Development Code Monitoring Team (CMT) Recommendation – On September 8, 2004, CMT voted 7-0 to express opposition to any re-leasing requirements and support all items covered in the Planning Department recommendation with the following two exceptions:

- Eliminate the building size limitation of 150,000 square feet; and
- Require a Process 1 at 50,000 square feet of building size.

San Diego Business Improvement District (BID) Council – On October 28, 2004, the BID Council made a motion to support a large retail development ordinance which limits a structure size at 90,000 square feet where no more than ten percent of the gross sales revenues should come from sale of non-taxable items with a maximum of 30,000 stockkeeping units (SKU). If any of the above criteria is exceeded, an economic impact report will be required. This motion was approved with a vote of 15-1.

Other Recommendations – Other groups and organizations have considered or are considering recommendations including the American Institute of Architects (AIA), San Diego Council of Design Professionals, San Diego County Building Industry Association (BIA) Metropolitan Legislative Committee, San Diego Regional Chamber of Commerce, and the Small Business Advisory Board (SBAB) (see Attachment 2).

Environmental Impact – The staff-recommended ordinance is exempt from CEQA per Section 15061(b)(3) of the State CEQA guidelines. CEQA determinations in other jurisdictions were discussed at the May 13, 2004 Planning Commission Workshop (see Attachment 3 for additional information).

Fiscal Impact – See Attachment 4 of this report for detailed analysis of the fiscal and economic impacts of large retail establishments prepared by the City of San Diego Community and Economic Development Department.

Code Enforcement Impact – The SKU ordinance proposal would result in a cumulative impact on Code Enforcement staff to determine compliance with the maximum (SKU) requirement contained in the proposal. A portion of this impact could be cost recoverable.

BACKGROUND

On July 23, 2003, the City Council's Land Use and Housing Committee directed Planning Department staff to develop an ordinance that would regulate large retail development and to analyze an ordinance proposal distributed at the meeting (the SKU ordinance proposal – see Attachment 5).

Planning Commission Report PC-04-014, prepared for the April 8, 2004 Planning Commission hearing (see Attachment 6), summarized the potential impacts of large retail establishments, relevant policies and their relationship to large retail development, regulations in other jurisdictions and it also described both the SKU ordinance proposal and staff's recommended ordinance. Since the April 8, 2004 hearing, Planning Commission held three public workshops to discuss economic development trends, existing code regulations, land use, traffic, environmental, fiscal and economic issues related to large retail development. Public testimony was provided by a number of interest groups, including representatives from Wal-Mart, Costco, Home Depot, Joint Labor Management Committee, Center for Policy Initiatives, the San Diego Business Improvement District (BID) Council, the San Diego County Building Industry Association (BIA), the San Diego Regional Chamber of Commerce, the National Association of Industrial and Office Professionals (NAIOP), and the San Diego Council of Design Professionals among others.

Since July of 2004, and throughout the month of August, Planning Department staff reconsidered all technical studies, reviewed previous Planning Commission meeting tapes and previous staff reports. Staff met individually with the various interest groups previously mentioned above and others, including Lowe's, John Ziebarth, and the Small Business Advisory Board (SBAB) to better understand their concerns and to obtain input. Staff established an e-mail interest list to

provide updates on upcoming meetings and copies of reports. On July 27, 2004, staff presented CPC with several possible alternative regulations for discussion. Staff attended the August and September meetings of the Land Development Code Monitoring Team (CMT) and Technical Advisory Committee (TAC) to obtain formal recommendations from these two groups. Based on the outcome of these various meetings, staff drafted an ordinance to be presented to CPC in September of 2004. CPC also established a subcommittee to review and discuss the issue in more detail and provide a recommendation to the larger CPC at the September meeting. A summary of the two subcommittee meetings held on September 13 and 14, 2004 is included as Attachment 7.

On September 28, 2004 (see Attachment 8), CPC voted 21-2-0 (one recusal) to support staff's recommendation with modifications as follows:

- Eliminate the 150,000 square feet building size limitation;
- Establish discretionary review (SDP Process 4) at 75,000 square feet instead of 100,000 square feet recommended by staff in the CC zones and planned districts; and
- Require a discretionary review (NDP Process 2) instead of Process 1 recommended by staff at 50,000 square feet of building size.

Three separate motions failed regarding re-leasing. More specifically, the first motion was to have staff return at a later date with a staff report on re-leasing issues; it failed with a vote of 1-17-2. The second motion was to have City Council recognize CPC's concerns about vacant buildings creating blight, public nuisance and contributing to lack of services; it failed with a vote of 10-12-1. The final motion stated that a re-leasing requirement, not involving demolition, should be added to the ordinance to require the vacating leaseholder to actively pursue re-leasing of the property and to prohibit leases from tying up vacant properties; it failed with a vote of 5-16-1.

During the months of October and November of 2004, staff met with the San Diego BID Council, SBAB, the Metropolitan Legislative Committee of the San Diego County Building Industry Association, the San Diego Council of Design Professionals and the San Diego Regional Chamber of Commerce to obtain their recommendations. Their recommendations or positions are described in more detail in Attachment 2.

DISCUSSION

This section of the report will cover several areas. First, it will address the questions raised by the Planning Commission in the previous meetings and workshops held during the months of April and May of 2004. Secondly, it will provide a discussion of alternative regulations discussed at previous Planning Commission meetings and then review ordinances addressing large retail development in other jurisdictions. And finally, it will provide an analysis of the SKU ordinance proposal and the staff recommended ordinance.

Responses to Planning Commission Questions

During the Planning Commission hearing on April 8, 2004, and subsequent workshops held in May of 2004, several requests were made by the Planning Commissioners and they are individually addressed below.

- 1) A matrix identifying staff's recommendation, that was presented to Planning Commission on April 8, 2004, as well as other proposals or recommendations by large retail development advocates and John Ziebarth.

Please see Attachment 9. It should be noted that staff has met with proponents of the different proposals and recommendations in order to achieve consensus. A large majority of the differences that previously existed among the recommendations as presented in the matrix have been resolved with the exception that City staff is still recommending a building size limitation of 150,000 square feet in certain areas of the city as well as not supporting the SKU ordinance and its provisions at this time. The SKU ordinance could protect some existing neighborhood scale grocery stores from competition; however, its scope does not fully address the community character aspects associated with large retail development.

- 2) Request for traffic impact analysis, a copy of the study from Kimley-Horn and Associates, Inc. prepared for Wal-Mart, and contacting City of Chula Vista to obtain any pertinent information they might have on the subject of traffic impact and large retail development.

Traffic impact analysis will be conducted during the discretionary review process for the development of actual large retail establishments. While localized traffic impacts are anticipated with future development of large retail establishments, California Environmental Quality Act (CEQA) does not require traffic impacts to be quantified at this time because this action involves a policy decision and, in and of itself, will not result in any development project. It should also be noted that further restrictions on size and location of large retail buildings per the proposed ordinance would not cause greater future traffic impacts than are already anticipated per the adopted community plans.

Although initially representatives of Wal-Mart indicated that a study conducted by Kimley-Horn and Associates, Inc. regarding trip generation was available, staff was later told by both Wal-Mart and Kimley-Horn that the study should not be used. In May of 2004, staff was informed that Wal-Mart intended to commission a current study, but was not clear on how long it would take to produce this study.

City staff contacted the City of Chula Vista transportation planning staff and discussed their assumptions regarding trip generation and traffic impact analysis for recently proposed large retail development projects. Staff did not learn any new relevant information regarding trip generation or traffic impacts of large retail establishments to add to the discussion provided in the May 13, 2004 Planning Commission workshop materials.

- 3) A map of existing and potential locations for large retail in the City of San Diego that also shows locations of existing and proposed business improvement districts (BIDs).

See Attachment 10. In addition, staff has prepared a map which shows existing and proposed BIDs as well as commercially designated areas that allow community, neighborhood and regional shopping centers in the city (see Attachment 11). When reviewing the map (Attachment 10), a great majority of the existing and potential locations for large retail are located outside the existing and proposed BID areas.

- 4) Provide a status update on the Centre City community plan and CCPDO updates and how they relate to the staff's recommended large retail development ordinance and its regulations.

Centre City Development Corporation (CCDC) is currently updating the Centre City community plan and the CCPDO with adoption proposed to occur sometime during spring of 2005. Additional requirements for minimum floor area ratios and land use mixes will likely further encourage large retail establishments to be part of a high-density, mixed-use project, consistent with the overall goals of maximizing densities and mixed-use developments in the downtown area.

The CCPDO currently allows all retail stores by right throughout downtown subject to an existing design review process that includes review by the community planning group known as the Centre City Advisory Committee. The CCPDO contains very strict urban design requirements for all developments, such as requirements for glazing at street level (all buildings must have vision windows into the store along at least 70 percent of each frontage to prevent long and blank solid walls); pedestrian entrances and interaction with the public sidewalks along each street frontage; and the requirement that all parking be structured (underground or in a parking structure above grade that is architecturally screened and incorporated into project). Therefore, the proposed design regulations in the staff's recommended ordinance will be superseded by the CCPDO regulations as large retail establishments are already required to be designed in a manner that mitigates most potential urban design and visual impacts. In addition, due to the relatively small block sizes that exist in the downtown area (the majority of blocks are 60,000 square feet in area), escalating land prices, and the strong residential demand, any proposed large retail establishment in the Centre City area would likely be in a mixed-use building with residential units located in upper floors.

Based on the facts that the Centre City Advisory Committee is currently involved in the review of retail stores to be located on 10,000 square feet or greater lot sizes and that more strict urban design requirements already exist in the CCPDO, the Process 2 NDP at 50,000 square feet of building size would not be fulfilling a new purpose and it would not be required as part of the CCPDO. However, because stores over 100,000 square feet may have additional and more complex design considerations due to unique loading and/or other service related requirements, large retail establishments at 100,000 square feet of building size in the downtown area would be subject to a higher level of review via the Process 4 SDP.

Alternative Regulations Discussed at Previous Planning Commission Meetings

During the April 8, 2004 Planning Commission hearing and subsequent workshops, several alternative regulations were discussed. These alternatives are listed on the following page:

- 1) Alternative Size Thresholds for Discretionary Review: apply size thresholds for discretionary review that vary by zone.

Possible Discretionary Review Size Thresholds by Zone	
Commercial Zones (Commercial--Community and Commercial-- Regional) and Planned District Ordinances	Industrial Zones (IL-2-1 and IL-3-1)
50,000 square feet or	50,000 square feet or
75,000 square feet or	75,000 square feet or
100,000 square feet	100,000 square feet

Staff's Recommendation: Establish a Process 2 Neighborhood Development Permit (NDP) at 50,000 square feet of building size in the CC zones, CR zones, IL-2-1 zone, IL-3-1 zone, and planned districts, except in the CCPDO. And establish a Process 4 Site Development Permit (SDP) at 100,000 square feet of building size in the CC zones and planned districts.

- 2) Alternative Building Size Limitations: building size limits that vary by zone.

Possible Building Size Limit Options		
Commercial Zones (Commercial--Community and Commercial--Regional) and Planned District Ordinances	Industrial Zones (IL-2-1 and IL-3-1)	Notes
75,000 square feet	75,000 square feet	Allows large grocery stores
90,000 square feet	90,000 square feet	This is identified in the SKU ordinance
100,000 square feet	100,000 square feet	Allows large grocery stores, some home improvement stores and smaller format large retail establishments
150,000 square feet	150,000 square feet	Allows almost all large retail establishments, but may limit supercenter development
None	None	Allows any size large retail establishment and supercenters

Staff's Recommendation: Limit the size of large retail establishments to 150,000 square feet except in the CR zones and the CCPDO where regional serving uses, such as large retail establishments over 150,000 square feet, are already allowed to reinforce the regional nature of these areas. In addition, building square-footage bonuses (10,000 or 20,000 square feet above the 150,000 square feet limit) may be allowed for large retail developments that incorporate a

public plaza, structured parking or subterranean parking, liner buildings, mixed-use development, or sustainable building measures.

- 3) Additional Design and Parking Regulations: the following table includes additional possible regulations that were discussed at the previous Planning Commission meetings.

Possible Additional Design and Parking Regulations	
1. Zone Application: Apply the staff-recommended design regulations to the IL-2-1 and IL-3-1 zones (please note that the staff's previously recommended ordinance and associated recommended design requirements only applied in the CC zones and PDOs due to the prevalence of single-story auto-oriented commercial and industrial development in the light industrial zones)	
2. Inclusion of public space or plaza	
3. Parking structure or underground parking incentives	
4. Mixed-use development	
5. Liner buildings Require liner buildings with separate individual main entrances directly leading to the outside (occupied by businesses not owned by the large retail establishment)	

Staff's Recommendation: Apply the additional design and landscape regulations in the IL-2-1 zone, IL-3-1 zone as well as CC zones, CR zones, and planned districts. Encourage public plazas, structured parking or underground parking, mixed-use development and liner buildings through building square footage bonuses. Please see Attachment 12, which identifies these additional regulations and compares them against existing code regulations.

- 4) Requirements for Re-leasing Large Retail Buildings: at the May 20, 2004 Planning Commission Workshop, several re-leasing options were discussed as an attempt to address concerns related to potential adverse impacts of vacant large retail buildings.

Possible Re-leasing Requirements
1. Restrictions placed on the contract between owner and large retailer that prevent the retailer from making stipulations on future selection of a new large retailer if and when the retailer vacates the premises
2. Declaration of public nuisance after 12 months vacancy
3. Secure bond for demolition in case of 12 months vacancy

Staff's Recommendation: Do not recommend re-leasing requirements as part of the ordinance due to the fact that enforcement will be challenging and high land costs and high rents in San Diego discourage prolonged vacancies of large retail buildings.

Re-leasing requirements have not been adopted to date in the State of California, therefore, legal ramifications of any re-leasing provisions have not yet been established. Only three much smaller jurisdictions in other states utilize some type of re-leasing requirement (Buckingham Township, Pennsylvania (population: 16,000) where developers are required to set aside funds for demolition of superstores that become vacant; Peachtree City, Georgia

(population: 36,000) where private contracts are required to have specific provisions where tenants, upon vacating the property, may not prevent the landlord from leasing to another tenant; and Evanston, Wyoming (population: 11,500) where a large retail occupant must find another tenant should they decide to move to another location). It should be noted that there was no support for such requirements from any of the groups staff met with during the past months.

Other Ordinances Addressing Large Retail Development

Staff has been able to identify several adopted ordinances, which address development of large retail establishments in their respective jurisdictions (see Attachment 13). Staff understands that there are no ordinances adopted up to this date that apply the method of SKU as part of the ordinance language.

SKU Ordinance Proposal

As discussed in previous staff reports to Planning Commission, the SKU ordinance would not allow a food, beverage, or groceries facility to be established or enlarged if such facility would contain more than 90,000 square feet, and more than 30,000 SKU and more than ten percent of its gross sales revenues would come from sale of non-taxable (grocery) items. This proposal could protect some existing neighborhood scale grocery stores from competition; however, its scope does not fully address the community character aspects associated with large retail development. On the other hand, the staff recommended ordinance goes further to mitigate the design impacts of large scale retailing. Although design standards could be added to the SKU ordinance proposal, it would still allow other types of large retail stores of an unlimited size that do not sell groceries or that sell groceries under the proposed threshold of ten percent. In addition, the effectiveness of design standards and regulations may diminish as store sizes increase without limitation throughout the city. As such the ordinance poses a concern towards implementing the Strategic Framework City of Villages policy and preventing inefficient use of underutilized infill sites near transit for auto-oriented development. This could in turn work against policy strategies that promote an integrated transit system and guide future development to focus on walkability and less dependence on the automobile.

Staff's Recommended Ordinance

Ordinance Major Components

The proposed ordinance would establish the following:

- **150,000 square-foot building size limit** for large retail establishments in the CC zones, IL-2-1 (Industrial--Light) zone, IL-3-1 zone, and planned districts. No limit in CR or CCPDO;
- **100,000 square-foot threshold** for discretionary review (Process 4 - Site Development Permit) in the CC zones and planned districts;

- **50,000 square-foot threshold** for discretionary review (Process 2 - Neighborhood Development Permit) in the CC zones, CR zones, IL-2-1, IL-3-1 zones and planned districts, except in the CCPDO;
- **Additional design and landscape regulations** (architectural elements, building setbacks, pedestrian paths, landscaping);
- **Incentives for improved design:** building square-footage bonuses (10,000 or 20,000 square feet above the 150,000 square feet limit) for large retail developments that incorporate a public plaza, structured parking or subterranean parking, liner buildings, mixed-use development, or sustainable building measures.

Analysis of Staff Recommended Ordinance

- **Supporting the City of Villages Strategy**

The Council adopted Strategic Framework Element directs new growth into mixed-use village opportunity areas accessible to transit. Additionally, the Strategic Framework Element promotes walkable communities and transit-oriented developments in the city of San Diego. The subject ordinance would help reduce the possibility of inefficient use of land near transit for auto-oriented development that does not support adopted General Plan policies. This ordinance is also intended to address community character and promote economic viability and diversity of uses within potential future village areas. Furthermore, the promotion and protection of mixed-use villages reinforces the Strategic Framework policy to better integrate land use and transportation planning to help improve mobility in the city.

- **Recognizing the Benefits of Large Retail Development**

Throughout the development of this ordinance, much discussion has taken place regarding the positive and negative aspects associated with large retail development. As stated in the "Fiscal and Economic Impacts of Large Retail Establishments," prepared by the City of San Diego Community & Economic Development department (Attachment 4), large format retailers impose economic changes on a community and they must be measured against the underlying assumption of a free market economy – that is, that competition is fundamentally good for the consumer. Competition presumably drives prices down and stimulates efficiencies and other improvements in product design, performance, and availability. While City staff has previously identified potential adverse effects and concerns associated with the development of large retail and how they relate to the Strategic Framework policy, staff also acknowledges that large retail development can offer a wide selection of products and their availability to consumers in larger quantities at discounted prices as well as convenience to the consumers of a "one stop-shop." Also, older neighborhoods and underserved areas in need of revitalization and economic reinvestment may benefit from the establishment of a large retail that could help meet the retail needs of residents in

these areas. Large retail may also serve as a "magnet" attracting consumers to shop in other smaller nearby stores located in the vicinity of the large retail establishment. But it is important to recognize that the outcome and impacts of large retail development, whether positive or negative, are largely dependent on the existing socio-economic conditions of an area.

- **Proposed Regulations**

The proposed ordinance is not intended to target any specific user, but instead it is intended to regulate all new large retail establishments that have a gross floor area of 50,000 square feet or more. Largely, the purpose of the ordinance is to address planning aspects associated with size, location and design of new large retail establishments through a series of regulations. Existing large retail establishments will not be affected by this proposed ordinance and expansion of existing structures will be addressed as expansion of previously conforming structures under the LDC.

After careful consideration of the types of permits and processes available to potentially regulate large retail establishments, staff reached a consensus that development permits, such as Neighborhood Development Permit (NDP Process 2) and Site Development Permit (SDP Process 4) are in fact the appropriate mechanisms to process these types of developments since the goal is to address and regulate the development of these establishments rather than the use itself. Therefore, all additional design regulations for large retail development are found under "Supplemental NDP and SDP Regulations" portion of the LDC. Also, all of the 19 planned districts currently include a reference to the Supplemental Development Regulations (Article 3) found under General Regulations (Chapter 14) of the LDC. Staff has also established the SDP process 4 at the 100,000 square feet threshold due to the fact that three separate sources define community shopping centers that contain a large retail store at 100,000 square feet. These sources are: SANDAG's Traffic Generation Rates Guide for San Diego Region, the City of San Diego's Trip Generation Manual, and the International Council of Shopping Centers (ICSC).

The idea of requiring an economic impact report as part of the proposed ordinance was most recently raised by the San Diego BID Council as evidenced by their recommendation. This type of report will be considered separately and not as a part of this proposed ordinance because it is a part of a larger Strategic Framework Action Item to prepare a format for a "community impact report" to be applied citywide for major development projects. This will require major development projects to be defined to include all types of projects (residential, commercial, and industrial), which could result in community and citywide economic and fiscal impacts. Jurisdictions that have adopted or are considering economic assessment as a means of mitigating the impacts of large retail development include the states of Maryland and Vermont, Lake Placid (New York), and Bozeman (Montana).

The staff recommended ordinance may still preclude the development of supercenters in certain areas of the city since these are currently typically established at sizes greater than 170,000 square feet. However, there is some recent evidence that suggests supercenters can exist in smaller buildings. Neither the staff recommended ordinance nor the SKU ordinance proposal would preclude the development of large retail centers or "power centers" containing two or more large retail establishments. In addition, these centers could be developed to be more village-like in character and function.

The majority of stakeholders that staff has met with during the past few months believe that there should not be a building size limitation as part of the ordinance. Options previously presented to CMT included requirements for multi-story buildings and structured parking in urbanized areas to allow stores without a building size limitation. Due to the varied character of individual communities, the requirement for large multi-story structures and structured parking may increase the visual effect of massing in certain communities. Code Monitoring Team did not support these design standards due to possible unintended design impacts and cost considerations. Staff's recommendation still includes a building size limitation, except in the CR zones and CCPDO, in order to help protect and promote existing and future village areas; create more walkable communities; and reduce the likelihood of future auto-oriented developments near transit in the City of San Diego.

CONCLUSION

Based on analysis of various proposals and numerous meetings with various stakeholders during the past several months, the Planning Department recommends the ordinance included as Attachment 1. The staff recommended ordinance supports the retention and strengthening of local retail and neighborhood-serving commercial uses that are essential to village development by establishing a building size limitation for large retail establishments in CC zones, IL-2-1 and IL-3-1 zones, and planned districts and with the exception of CR zones and CCPDO. The proposed ordinance also allows for community input and participation in the decision-making process through the discretionary review processes. And finally, it incorporates additional design and landscape regulations with options within certain requirements to promote design flexibility and creativity. However, the Planning Commission may consider alternatives as identified in the following section of this report.

ALTERNATIVES

- Approve staff's recommendation with modifications; or
- Deny staff's recommendation and keep existing regulations as they are currently found in the Land Development Code; or
- Deny staff's recommendation and support the SKU Ordinance.

Respectfully submitted,



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Senior Planner
Planning Department



Coleen Clementson
Program Manager
Planning Department

CC/PC/je

- Attachments:
1. Draft Large Retail Development Ordinance
 2. Other Recommendations
 3. Summary of CEQA Determinations in Other Jurisdictions
 4. Fiscal and Economic Impacts of Large Retail Establishments
 5. SKU Ordinance Proposal
 6. Planning Commission Report PC-04-014 (without attachments)
 7. Community Planners Committee (CPC) Subcommittee - Meeting Summary
 8. Memorandum to CPC - dated September 21, 2004 (without attachments)
 9. Matrix Comparison of Different Proposals
 10. Map - Existing and Potential Large Retail Development Locations with Community Accessible to Transit
 11. Map - Commercial Designations and Business Improvement Districts
 12. A Comparison between Current and Proposed Regulations
 13. Other Ordinances Addressing Large Retail Development
 14. List of Public Meetings and Workshops

Additional Requirements for Consideration
(Based upon Planning Commission's recommendations)

Structure Size Requirements	50,000 square feet (sq. ft.) and up to 99,999 sq. ft.	100,000 sq. ft. and up to 149,999 sq. ft.	150,000 sq. ft. and greater	Proposed Ordinance Text	Note
Public Space	Require 1,500 sq. ft. public use area	Require 3,000 sq. ft. public use area	Require 5,000 sq. ft. public use area	(d) Public Space. This public space shall contribute to the civic and recreational life of the community and include elements, such as a lunch or eating area, display areas for community groups and commercial display areas. This public space shall be an outdoor or indoor area for public use and public gathering to be opened during normal business hours.	The proposed text will be inserted under Section 143.0355, <u>Supplemental</u> <u>Neighborhood</u> <u>Development Permit</u> and <u>Site Development</u> <u>Permit Regulations for</u> <u>Large Retail</u> <u>Establishments.</u>
				(1) <i>Large retail establishments</i> that are 50,000 square feet and up to 99,999 square feet in size shall provide a 1,500 square feet public space area. (2) <i>Large retail establishments</i> that are 100,000 square feet and up to 149,999 square feet in size shall provide a 3,000 square feet public space area.	

Structure Size	50,000 square feet (sq. ft.) and up to 99,999 sq. ft.	100,000 sq. ft. and up to 149,999 sq. ft.	150,000 sq. ft. and greater	Proposed Ordinance Text	Note
Requirements					
Pedestrian Link to Transit	Major pedestrian link between buildings and public transit	Major pedestrian link between buildings and public transit	Major pedestrian link between buildings and public transit	<p>(3) <u>Large retail establishments</u> that are <u>150,000 square feet and greater in size shall provide a 5,000 square foot public space area.</u></p> <p>None proposed at this time. See explanation under "Note."</p>	Staff is currently working on recommendations for updating the Land Development Code that will include addressing pedestrian paths and pedestrian site design requirements to be applicable in the commercial, industrial and residential zones.
Vehicular Parking Layout and Design	Divide parking areas into 200 parking spaces "blocks" separated by landscape buffers	Divide parking areas into 200 parking spaces "blocks" separated by landscape buffers	Divide parking areas into 200 parking spaces "blocks" separated by landscape buffers	<p>(e) <u>Parking Area Layout and Design</u></p> <p><u>Parking areas shall be divided into block areas containing a maximum of 200 parking spaces per block. Each of the block areas shall be separated from each other by required planting areas with a minimum width of 5 feet.</u></p>	<p>The proposed text will be inserted under Section 143.0355, Supplemental Neighborhood Development Permit and Site Developments for Permit Regulations for Large Retail Establishments.</p> <p>The proposed text will be inserted under</p>
Building Massing	Divide structures into equal building	Divide structures into equal building	Divide structures into equal building masses via	The Land Development Code (LDC) currently addresses	

Structure Size Requirements	50,000 square feet (sq. ft.) and up to 99,999 sq. ft.	100,000 sq. ft. and up to 149,999 sq. ft.	150,000 sq. ft. and greater	Proposed Ordinance Text	Note
	masses via offsetting planes and rooflines	masses via offsetting planes and rooflines	offsetting planes and rooflines	<p>building articulation, bulk and scale with offsetting plane regulations under Section 131.0554 of the LDC under development regulations for commercial zones. However, a reference can be made to apply these regulations to large retail establishments in the industrial zones and planned districts as follows:</p> <p>(b) <u>Building Articulation</u></p> <p>(1) <u>Offsetting planes shall be incorporated as part of the building design. See Section 131.0554 for specific regulations.</u></p>	<p>Section 143.0355, <u>Supplemental Neighborhood Development Permit and Site Development Permit Regulations for Large Retail Establishments.</u></p>
Sustainable Building Design		Require sustainable building measures	Require sustainable building measures	<p>(f) Sustainable building measures for <i>large retail establishments</i> 100,000 square feet and larger in size:</p> <p>(1) The development shall achieve the U.S. Green Building Council, Leadership in Energy and Environmental Design (LEED) 2.0 Rating System "Silver" Level Certification for commercial</p>	<p>The proposed text will be inserted under Section 143.0355, <u>Supplemental Neighborhood Development Permit and Site Development Permit Regulations for Large Retail Establishments.</u></p>

Structure Size	50,000 square feet (sq. ft.) and up to 99,999 sq. ft.	100,000 sq. ft. and up to 149,999 sq. ft.	150,000 sq. ft. and greater	Proposed Ordinance Text	Note
Requirements				<p>development. An award letter from the U.S. Green Building Council indicating the "Silver" certification level for the development project shall be submitted to the City as <u>proof of meeting this requirement.</u></p> <p>(2) <u>The establishment shall incorporate self-generation through renewable technologies (e.g. photovoltaic, wind and fuel cells) to reduce environmental impacts associated with fossil fuel energy use. Generate a minimum of 30% of the projected energy consumption from renewable technologies, such as photovoltaic, wind and fuel cells. A condition shall be included in the discretionary permit to facilitate future checking of this item at the building permit stage.</u></p>	
	Structured Parking		25% of required parking for the entire building in structured parking	(g) Structured Parking. For <u>large retail establishments</u> 150,000 square feet and	The proposed text will be inserted under Section 143.0355.

Structure Size	50,000 square feet (sq. ft.) and up to 99,999 sq. ft.	100,000 sq. ft. and up to 149,999 sq. ft.	150,000 sq. ft. and greater	Proposed Ordinance Text	Note
Requirements			(applicable in the CC zones only)	larger in size located in the CC zones only, provide a minimum of 25 percent of required parking for the entire building in structured parking.	<u>Supplemental Neighborhood Development Permit and Site Development Permit Regulations for Large Retail Establishments.</u>
			PLUS ONE OR A COMBINATION OF THE FOLLOWING REQUIREMENTS TO BUILD STRUCTURES GREATER THAN 150,000 SQ. FT.		
			50% of required parking for the entire building in structured parking - Allow an additional up to 20,000 sq. ft.	(h) At least one or a combination of the following additional requirements can be used to build structures greater than 150,000 square feet: (1) Provide 50 percent of required parking for the entire building as structured parking. The fulfillment of this requirement allows up to an additional of 20,000 square feet of building size. (2) Provide subterranean or rooftop parking. The fulfillment of this	The proposed text will be inserted under <u>Section 143.0355, Supplemental Neighborhood Development Permit and Site Development Permit Regulations for Large Retail Establishments.</u>
			Subterranean or rooftop parking - Allow an additional up to		

Structure Size Requirements	50,000 square feet (sq. ft.) and up to 99,999 sq. ft.	100,000 sq. ft. and up to 149,999 sq. ft.	150,000 sq. ft. and greater	Proposed Ordinance Text	Note
			10,000 sq. ft.	<p>requirement allows up to an additional of 10,000 square feet of building size.</p> <p>(3) Provide a multi-story establishment where the floor area for the first floor shall not exceed two thirds of the <u>gross floor area</u> for the entire building. The fulfillment of this requirement allows up to an additional of 20,000 square feet of building size.</p> <p>(4) Provide liner buildings attached to the outside of the <u>large retail establishment</u> where these separately leased or owned buildings with separate individual main entrances cover 50 percent of the building street frontage(s) to help create a pedestrian scale environment. The fulfillment of this requirement allows up to an additional of 20,000 square feet of building size.</p> <p>(5) Incorporate mixed-use development within the same premises as permitted by the applicable zone. The fulfillment of this</p>	
			<p>Multi-story establishment where the first floor cannot exceed two thirds of total floor area</p> <p>- Allow an additional up to 20,000 sq. ft.</p>		
			<p>Liner buildings attached to the large retail establishment (that cover 50% of the street frontage)</p> <p>- Allow an additional up to 20,000 sq. ft.</p>		
			<p>Mixed-use development per Urban Village Overlay Zone</p> <p>- Allow an additional up to 30,000 sq. ft.</p>		

Structure Size Requirements	50,000 square feet (sq. ft.) and up to 99,999 sq. ft.	100,000 sq. ft. and up to 149,999 sq. ft.	150,000 sq. ft. and greater	Proposed Ordinance Text	Note
	in the Land Development Code			requirement allows up to an additional of 30,000 square feet of building size.	

**OTHER ORDINANCES ADDRESSING
LARGE RETAIL DEVELOPMENT**

Alameda County

In 2003, Alameda County adopted an ordinance that sets a 100,000 square feet building size limit and allows less than 10 percent of the floor area for sale of non-taxable (food/grocery) items.

Los Angeles

On August 19, 2004, the City of Los Angeles approved an ordinance which requires applicants of superstores (defined as establishment that exceeds 100,000 square feet in sales floor area, excluding office space, storage space, restrooms, and devotes more than 10 percent of sales floor area to non-taxable goods) within certain designated economic assistance areas (i.e. enterprise zones, federal empowerment zones, community redevelopment agency project areas) to prepare and submit an economic impact analysis report. This report is required to address whether the superstore would result in the physical displacement of any businesses, require demolition of housing, destruction of any parks/community centers/playgrounds, create economic stimulation in the area, provide lower costs and high quality goods and services, and whether it would displace jobs or provide economic revitalization in the area.

Santa Maria (Santa Barbara County)

In 1997, the City of Santa Maria passed an ordinance that prohibits commercial uses exceeding 90,000 square feet of gross floor area and from devoting more than eight percent of the total gross floor area to non-taxable merchandise.

Oakland

In 2003, the City of Oakland adopted an ordinance which prohibits retail stores over 100,000 square feet from using more than 10 percent of their floor area for sale of non-taxable items in certain zones; membership stores are exempted from this ordinance.

Turlock (Stanislaus County)


City of Turlock's ordinance prohibits large retail stores that exceed 100,000 square feet of gross floor area from devoting more than five percent of that floor area to the sale of non-taxable (food/grocery) merchandise.


CONCLUSION

The Mayor recommends LARGE RETAIL ORDINANCE VERSION B to the City Council for adoption. It is staff's belief that this draft ordinance best meets the intent of both Mayor and Council. The Mayor does not recommend adoption of the ORDINANCE PROHIBITING SUPERSTORES.

The Mayor's recommendation would provide an adequate review process, implement enhanced design standards and give decision makers the opportunity to examine positive and negative impacts of superstore proposals on a case by case basis. Specifically, the Mayor's proposal:

- Will allow San Diego communities and all interest groups and stakeholders to give input and participate in the approval process.
- Will require builders of all large retail establishments to construct stores with enhanced features and more landscaping.
- Will give the market an opportunity to decide if the size, location and content of retail stores are feasible subject to zoning ordinances.
- Will allow impacts of any proposed large retail development to be studied during the discretionary review process.


William Anderson
Director,
City Planning & Community Investment


Jim Waring
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Land Use & Economic Development

WARING/RG

- Attachments:
1. LARGE RETAIL ORDINANCE VERSION A (O-2007-29A) (Not Available)
 2. LARGE RETAIL ORDINANCE VERSION B (O-2007-29B) (Not Available)
 3. ORDINANCE PROHIBITING SUPERCENTERS (O-2007-30) (Not Available)
 4. Report to Council 06-124 (with 3 Attachments)